

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58129

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5

Island County, Washington

January 1, 1993 Through December 31, 1995

Issue Date: March 28, 1997



Washington _____

State Auditor

Brian Sonntag



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Washington State Auditor
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March 28, 1997

I am pleased to report the results of our audit of Island County Fire Protection District No. 5, Island County, Washington, for the period January 1, 1993, through December 31, 1995. The audit was conducted under the State Auditor's authority in Chapter 43.09 RCW.

Our audit gives an independent, accurate assessment of the district's financial condition, internal controls, and compliance with laws and regulations during the period we reviewed. I hope it is used as a constructive management tool to help the district improve its operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", written over a large, stylized flourish.

Brian Sonntag, CGFM
State Auditor

Copies transmitted to:

Joseph R. Biller, District Chief
Paul E. Messner, Chairperson of the Board of Commissioners
Art Hyland, County Auditor
William H. Hawkins, County Prosecuting Attorney
Laurie Fortier, State Publication Distribution, State Library
The Honorable Christine O. Gregoire, Attorney General, Office of the Attorney General
Office of the State Auditor



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ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Island County, Washington
January 1, 1993 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Board of Commissioners
Island County Fire Protection District No. 5
Coupeville, Washington

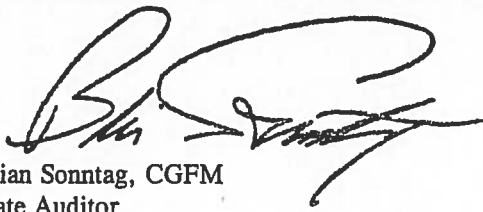
We have audited the financial statements, as listed in the table of contents, of Island County Fire Protection District No. 5, Island County, Washington, as of and for the fiscal years ended December 31, 1995, 1994, and 1993, and have issued our report thereon dated January 30, 1997.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. 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.


Brian Sonntag, CGFM
State Auditor

January 30, 1997

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Island County, Washington
January 1, 1993 Through December 31, 1995

Independent Auditor's Report On Financial Statements And Additional Information

Board of Commissioners
Island County Fire Protection District No. 5
Coupeville, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of Island County Fire Protection District No. 5, Island County, Washington, for the fiscal years ended December 31, 1995, 1994, and 1993. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

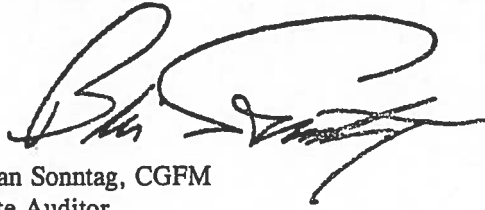
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the district prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of Island County Fire Protection District No. 5 for the fiscal years ended December 31, 1995, 1994, and 1993, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in

our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'Brian Sonntag', written in a cursive style.

Brian Sonntag, CGFM
State Auditor

January 30, 1997

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Current Expense Fund Resources And Uses Arising From Cash Transactions
For The Fiscal Year Ended December 31, 1995

	Budget	Actual
Beginning Cash and Investments	347,568	\$337,893
Revenues		
Taxes	474,686	523,216
Charges for Services	80,000	93,623
Miscellaneous		13,820
Other Financing Sources		7,641
Total Revenues and Other Sources	554,686	638,300
Total Resources	902,254	976,193
Expenditures		
Security of Persons and Property	335,045	328,954
Capital Expenditures	159,140	233,377
Total Expenditures	494,185	562,332
Other Financing Uses	53,400	51,700
Total Uses	547,585	614,032
Excess (Deficit) of Revenues and Other Sources Over Uses	7,101	24,268
Ending Cash and Investments	354,669	362,161

The Accompanying Notes Are An Integral Part Of This Statement.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Debt Service Fund Resources And Uses Arising From Cash Transactions
For The Fiscal Year Ended December 31, 1995

	Budget	Actual
Beginning Cash and Investments	5,071	\$7,108
Revenues		
Taxes	27,325	27,957
Charges for Services		
Miscellaneous		
Other Financing Sources	53,400	51,700
Total Revenues and Other Sources	80,725	79,657
Total Resources	85,796	86,765
Expenditures		
Security of Persons and Property		
Capital Expenditures		
Total Expenditures	0	0
Other Financing Uses	80,725	80,725
Total Uses	80,725	80,725
Excess (Deficit) of Revenues and Other Sources Over Uses	0	(1,068)
Ending Cash and Investments	5,071	6,040

The Accompanying Notes Are An Integral Part Of This Statement.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Current Expense Fund Resources And Uses Arising From Cash Transactions
For The Fiscal Year Ended December 31, 1994

	Budget	Actual
Beginning Cash and Investments	342,550	\$302,915
Revenues		
Taxes	457,236	484,700
Charges for Services	85,000	105,957
Miscellaneous		6,448
Other Financing Sources		19,309
Total Revenues and Other Sources	542,236	616,415
Total Resources	884,786	919,329
Expenditures		
Security of Persons and Property	280,820	289,795
Capital Expenditures	288,130	240,226
Total Expenditures	568,950	530,022
Other Financing Uses	51,415	51,415
Total Uses	620,365	581,437
Excess (Deficit) of Revenues and Other Sources Over Uses	(78,129)	34,978
Ending Cash and Investments	264,421	337,893

The Accompanying Notes Are An Integral Part Of This Statement.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Debt Service Fund Resources And Uses Arising From Cash Transactions
For The Fiscal Year Ended December 31, 1994

	Budget	Actual
Beginning Cash and Investments	5,071	\$6,833
Revenues		
Taxes	24,165	24,440
Charges for Services		
Miscellaneous		
Other Financing Sources	51,415	51,415
Total Revenues and Other Sources	75,580	75,855
Total Resources	80,651	82,688
Expenditures		
Security of Persons and Property		
Capital Expenditures		
Total Expenditures	0	0
Other Financing Uses	75,580	75,580
Total Uses	75,580	75,580
Excess (Deficit) of Revenues and Other Sources Over Uses	0	275
Ending Cash and Investments	5,071	7,108

The Accompanying Notes Are An Integral Part Of This Statement.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Current Expense Fund Resources And Uses Arising From Cash Transactions
For The Fiscal Year Ended December 31, 1993

	Budget	Actual
Beginning Cash and Investments	196,000	\$171,019
Revenues		
Taxes	402,239	445,468
Charges for Services	79,767	108,562
Miscellaneous	500	5,533
Other Financing Sources		51,000
Total Revenues and Other Sources	482,506	610,563
Total Resources	678,506	781,582
Expenditures		
Security of Persons and Property	307,786	303,899
Capital Expenditures	126,335	120,384
Total Expenditures	434,121	424,283
Other Financing Uses	54,385	54,385
Total Uses	488,506	478,668
Excess (Deficit) of Revenues and Other Sources Over Uses	(6,000)	131,896
Ending Cash and Investments	190,000	302,915

The Accompanying Notes Are An Integral Part Of This Statement.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Debt Service Fund Resources And Uses Arising From Cash Transactions
For The Fiscal Year Ended December 31, 1993

	Budget	Actual
Beginning Cash and Investments	0	\$5,071
Revenues		
Taxes	28,000	27,727
Charges for Services		
Miscellaneous		
Other Financing Sources	54,385	54,385
Total Revenues and Other Sources	82,385	82,112
Total Resources	82,385	87,183
Expenditures		
Security of Persons and Property		
Capital Expenditures		
Total Expenditures	0	0
Other Financing Uses	80,350	80,350
Total Uses	80,350	80,350
Excess (Deficit) of Revenues and Other Sources Over Uses	2,035	1,762
Ending Cash and Investments	2,035	6,833

The Accompanying Notes Are An Integral Part Of This Statement.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Notes To Financial Statements
January 1, 1993 Through December 31, 1995

These notes are an integral part of the accompanying financial statements.

Note 1 - Summary of Significant Accounting Policies

Island County Fire Protection District #5 was incorporated in 1952 and operates under the laws of the State of Washington applicable to fire protection districts. The following is a summary of the more significant policies, including identification of those policies which result in material departures from generally accepted accounting principles:

a. **Reporting Entity**

Island County fire Protection District #5 (ICFD #5) is a limited special purpose district providing fire prevention services, fire suppression services, emergency medical and protection of life and property to a population of approximately 10,000 in an area of approximately 50 square miles located in central Whidbey Island. The district also provides fire protection services under contract to other local governmental entities located in their service area who do not operate their own fire department.

ICFD #5 is governed by an elected three member board of fire commissioners who are responsible for appointing the administrative personnel and overseeing district affairs.

The accounting policies of the district conform to the *Budgeting, Accounting and Reporting System (BARS)* for Category 2 Local Governments prescribed by the State Auditor. For financial reporting purposes, the district includes all funds that are controlled by or dependent on the district's board of fire commissioners. Control by or dependence on the district was determined on the basis of taxing authority, general obligations of the district, and obligation of the district to finance any deficits that occur or receipt of significant subsidies to finance certain district operations.

b. **Basis of Presentation - 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 is accounted for with a separate set of self-balancing accounts that comprise its cash investments, revenues and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district funds or activities. The district's resources are allocated to and accounted for in individual funds depending on what they are to be spent for and how they are controlled. Funds in this report are of the governmental type. The district has no proprietary or fiduciary funds which are the second and third type of funds used by governmental entities.

GOVERNMENTAL FUND TYPES:

Governmental fund operating statements focus on measuring changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

- (1) Expense Fund - This fund is the general operating fund of the district. It accounts for all financial resources and transactions except those required to be accounted for in another fund.
- (2) Debt Service Fund - These funds account for the accumulation of resources to pay principal, interest, and related costs on general long-term bonded debt.

c. Basis of Accounting

Basis of accounting refers to revenues and expenditures, or expenses, which are recognized in the accounts and reported in the financial statements. The district's funds are operated on the cash basis of accounting.

Under the cash basis of accounting, revenues are recognized when received in cash rather than when measurable and available, and expenditures are recognized when warrants are issued rather than when incurred. Purchases of fixed assets are expended during the year acquired and no general fixed asset account group is established.

The district's financial statements are excerpted from accounting records maintained for the district by Island County in accordance with the method prescribed by the State Auditor under the Authority of Washington State law, Chapter 43.09, RCW. The financial statements are presented on the cash basis.

The financial statements do not present the financial position of the district and are not intended to present results of operations in conformity with generally accepted accounting principles.

d. Budget and Budgetary Accounting

Scope of Budget

The district's budget procedures are mandated by RCW 52.16.070. The secretary of the district is required annually, by law, to prepare and certify a budget of the requirements of each district fund, and deliver it to the legislative authority of the county in ample time for tax levies to be made for district purposes.

Beyond preparation and certification of the annual budget, the district is not required by law to maintain budgetary accounting. The district does not prepare a

statement of revenues and expenditures with a formal budget as required by generally accepted accounting principles. This is a departure from generally accepted accounting principles.

However, except as authorized by the issuance and sale of general obligation bonds, the creation of local improvement districts, and the issuance of local improvement bonds and warrants of the fire protection district, the board of fire commissioners may not incur expenditures in excess of the aggregate amount of taxes levied for that year, revenues derived from all other sources, and the cash balances on hand in the expense and reserve funds of the district on the first day of that year.

In the event there are unpaid warrants drawn on any district funds for expenditures and obligations incurred and outstanding at the end of any calendar year, the warrants may be paid from taxes collected in the subsequent year or years and from other income.

e. Assets, Liabilities and Fund Equity.

Duties of the county treasurer:

As required by law, the county treasurer is charged with receiving and disbursing district revenues, collecting taxes and assessments authorized and levied and to credit district revenues to the proper fund.

The county treasurer also pays out money received for the account of the district on warrants issued by the county auditor against the proper funds of the district. The warrants are issued on vouchers approved and signed by a majority of the district's board of commissioners and by the district secretary. The county treasurer also pays general obligation bonds and the accrued interest thereon in accordance with their terms from the general obligation bond fund when interest or principle payments become due.

(1) Cash and Investments

The county treasurer is the ex officio treasurer for ICFD #5. In this capacity, the county treasurer receives deposits and transacts investments on the district's behalf. The investments are held by the county treasurer on behalf of the district.

Cash includes amounts in demand deposits. Investments include short-term investments unmaturing at the balance sheet date and held by the county treasurer on the district's behalf. Investments are stated at cost that approximates market. Reductions in market value, if any, are not reflected on the financial statements. Gains or losses on investments sold or exchanged are recognized at the time the transactions are completed.

State statutes authorize district investment, through the county treasurer, in:

(a) securities, certificates, notes, bond, short-term securities and other obligations of the United States, and

(b) deposit in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in this state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

Island County Fire District #5 is in compliance with the state law.

The county treasurer is required to report monthly in writing to the secretary of the district the amount of money held by the county in each fund and the amount of receipts and disbursements for each fund during the preceding month.

(2) Receivables

Taxes receivable are delinquent property taxes and related interest and penalties (See Note 3).

(3) Fixed Assets

Fixed assets are expensed when purchased.

(4) Interfund Transactions

Operating transfers between funds are reported in the financial statements as "other financing sources (uses)".

(5) Long Term Debt

The district had outstanding general obligation bonds that were approved by the district's voters. The bonds were supported by property taxes levied by the county for the benefit of the district. The bonds were retired prior to December 31, 1995.

The district also had outstanding limited tax general obligation bonds which did not require voter approval. These bonds were also retired prior to December 31, 1995.

The district has no general obligation bonds outstanding as of December 31, 1995.

(6) Capital Leases

The district had no outstanding capital leases or other long-term purchase contracts as of December 31, 1995.

(7) Vacation and Sick Leave Benefits

The district recognizes vacation and sick leave benefits only when paid. Vacation leave is accrued at a rate of one day per month with a lid of 30 days and sick leave is accrued at a rate of one day per month with a lid of 60 days, with a 50% buy-back upon retirement, layoff or voluntary termination. The unrecorded liability for unpaid vacation and sick leave benefits as of December 31, 1995, was approximately \$13,735.

(f) Revenues and Expenditures

Under the cash basis of accounting:

Charges for services, interest on investments and rents generally are considered measurable when received in cash in governmental funds.

Taxes that have been collected by the county treasurer but not remitted are not considered measurable and available until actually transferred to the district's funds.

Proceeds from sale or loss of fixed assets are recognized as miscellaneous revenues. This is a departure from generally accepted accounting principles which require that such proceeds be accounted as other financing sources and uses.

All other revenues are either not measurable or considered not available until collected

Charges for Services Revenues: The district has contracted with the City of Coupeville to provide fire suppression services based on applying the district's levy rate to the real property assessed valuation within the geographical boundaries of the Town.

Expenditures are recognized when warrants are issued, except for principal and interest in general long-term debt. These are reported as expenditures when due.

Note 2 - INVESTMENTS

The county treasurer may invest for benefit of the district, moneys held for the district in excess of current needs. As required by state law, all investments of district funds are obligations of the U. S. Government, or deposits with Washington State banks and savings and loan institutions.

The district's investments are all in the State Pool (Category I), which is the investment category of least risk, including investment securities that are either insured, registered or held by the district or its agent in the district's name.

At December 31, 1995:

Investments in State Pool \$260,000.

NOTE 3 - PROPERTY TAXES

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

Property Tax Calendar

January 1 Taxes are levied and become an enforceable lien against properties
February 14 Tax bills are mailed.
April 30 First of two equal installment payments is due
May 31 Assessed value of property is established for next year's levy at 100% of market value.
October 31 Second installment due.

Property taxes are recorded as a receivable when levied, offset by a deferred revenue. During the year, property tax revenues are recognized when cash is collected.

The district's regular tax levy was:

	Levy Year	Levy Rate per \$1,000	Total Assessed Value	Total Tax
	1995	.9925	510,800,098	510,415.42
Timber		.9925	16,667,534	<u>16,655.03</u>
				527,070.45*

*Source: Assessor's Annual Report
1994 Assessments for 1995 Tax Year

The district may levy up to \$1.50 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

a. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to six percent (6%) per year, after adjustments for new construction. If the assessed valuation increases by more than 6% due to reevaluation, the levy rate will be decreased.

b. The Washington State Constitution limits the total regular property taxes to one percent 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent (1%) limit.

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the district:

0.375% - Without a vote of the people
0.75% - With a vote of the people.

The district may voluntarily levy taxes below the legal limits. Special levies approved by the voters are not subject to the above limitations.

Calculation of ICFD #5 Debt Limitation
As Of December 31, 1995

Assessed valuation of taxable property	561,735,706
Voted debt ceiling per RCW 52.16.080: (0.75% of valuation of taxable property)	4,213,018
Outstanding debt as of December 31, 1995	-0-
Remaining Debt Capacity:	4,213,018

Note 4 - Pension Plan

Substantially all district full-time employees participate in one of the following statewide local government retirement systems administered by the Department of Retirement Systems, under cost-sharing, multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the district's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

a. Public Employees' Retirement System (PERS)

The district's contribution, 7.62% for Plan II of covered payroll, for the year ended December 31, 1995, of \$2,312. represents its full liability under the system, except that future rates may be adjusted to meet the system needs.

b. Law Enforcement Officers and Firefighters Retirement System (LEOFF)

The district's contribution, 5.25% for Plan II of covered payroll, for the year ended December 31, 1995, of \$4,561 represents its full liability under the system, except that future rates may be adjusted to meet the system needs.

c. Other Retirement Systems - Volunteer Firefighters Relief & Pension Fund

The district's contribution (based on \$10 per firefighter for disability & \$30 per enrolled firefighter for retirement) for the year ended December 31, 1995, of \$1,150

represents its full liability under the system, except that future rates may be adjusted to meet the system needs.

Historical trend information showing each system's progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's comprehensive annual financial report. Please refer to said report for detailed trend information.

State of Washington
Office of Financial Management
300 Insurance Building
P. O. Box 313
Olympia, WA 98504-3113

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Schedule Of Long-Term Debt
General Obligation Debt
For The Fiscal Year Ended December 31, 1995

I.D. No. And Class Description	Date Of Issue	Date Of Final Maturity	Interest Rate(s)	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed This Period	Ending Outstanding Debt
251.11 GO Bond	12/1/85	12/1/95	8.25-9.30%	\$150,000	\$25,000	\$-0-	\$25,000	\$-0-
251.11 GO Bond	11/1/89	11/1/95	6.20-6.80%	250,000	50,000	-0-	50,000	-0-

Additional Information.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Schedule Of Long-Term Debt
General Obligation Debt
For The Fiscal Year Ended December 31, 1994

I.D. No. And Class Description	Date Of Issue	Date Of Final Maturity	Interest Rate(s)	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed This Period	Ending Outstanding Debt
251.11 GO Bond	12/1/85	12/1/95	8.25-9.30%	\$ 150,000	\$ 45,000	\$ -0-	\$ 20,000	\$ 25,000
251.11 GO Bond	11/1/89	11/1/95	6.20-6.80%	250,000	95,000	-0-	45,000	50,000

Additional Information.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Schedule Of Long-Term Debt
General Obligation Debt
For The Fiscal Year Ended December 31, 1993

I.D. No. And Class Description	Date Of Issue	Date Of Final Maturity	Interest Rate(s)	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed This Period	Ending Outstanding Debt
251.11 GO Bond	12/1/85	12/1/95	8.25-9.30%	\$150,000	\$ 65,000	\$-0-	\$20,000	\$45,000
251.11 GO Bond	11/1/89	11/1/95	6.20-6.80%	250,000	140,000	-0-	45,000	95,000

Additional Information.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 5
Island County, Washington
January 1, 1993 Through December 31, 1995

Directory Of Officials

Elected

		<u>Expiration</u>
Board of Commissioners: Chairperson	Paul E. Messner	December 31, 1999
	Cheryl J. Engle	December 31, 2001
	Gerald J. Helm	December 31, 1997

Appointed

District Chief	Joseph R. Biller
District Secretary	Delane Taylor

Mailing Address

District	215 E Race Road Coupeville WA 98239
----------	--

As part of our 1993 through 1995 audit of Island County Fire Protection District No. 5, we reviewed the District's activity, to learn if internal controls were adequate, and if management complied with applicable laws and regulations. We found the District staff to be helpful, knowledgeable, and to possess a professional attitude about District financial matters. We are pleased that our audit report of the District for 1993 through 1995 will not have any findings. Essentially, the District has earned a "clean" report.

To help management improve internal control, we do have several suggestions:

- ◆ The board should treat workshops as special meetings as required by RCW 42.32.
- ◆ The voucher approval process and the warrant process should be segregated.
- ◆ If the District does business with volunteers, we recommend they sign a contract.
- ◆ Receipts should be used for all money received at the District office.
- ◆ The District should review RCW 42.23, Code of Ethics for Municipal Officers, before it hires relatives.
- ◆ Advance travel and petty cash should be operated in compliance with the BARS manual.
- ◆ The board should go into executive sessions for purposes allowed under RCW 42.30.
- ◆ Travel and food purchases should have the documentation required by RCW 42.24.

Exit Items

1. We noted several instances in which the board met for workshops and did not keep minutes. However, it appears that the special meetings were announced to the public during the immediately preceding regular meetings. The board took no final actions. The meetings were open to the public.

The Revised Code of Washington defines a meeting as, "meetings at which action is taken." It defines action as, "the transaction of the official business of a public agency by a governing body including but not limited to receipt of public testimony, deliberations, discussions, considerations, reviews, evaluations, and final actions."

RCW 42.32.030 states,

"The minutes of all regular and special meetings except executive sessions of such boards . . . shall be promptly recorded and such records shall be open to public inspection."

We recommend the District treat all special meetings as such. We further recommend the District keep minutes for all meetings in which a quorum of the board is present.

2. The secretary prepares the vouchers for the commissioners. As the auditing officer, she receives the vouchers after the board approves them and sends them to the County for processing. The County runs the warrants and sends them back to her for mailing. Because of the timing of the voucher and warrant processing, there is a lack of segregation.

We recommend at least one commissioner sign each individual voucher attesting that the information on it ties to the blanket voucher. We further recommend that someone other than the person who receives the warrants reconcile the information on the county's Warrant Transmittal Report to the District's Blanket Voucher Approval, and initial and date it.

3. The District's attorney is also a volunteer. This may have the appearance of a beneficial interest. We recommend the Commissioners sign a contract for the purchasing of legal services in an open public meeting. We further recommend the contract stipulate that the rates charged to the District will not exceed the volunteer's normally charged rates.

4. The District does not keep receipts for money received at the District office. Using receipts to record money is an important source document. We recommend the District implement the following controls:

- a. Obtain a receipt book and write a receipt for all payments received at the District office. The receipts should be printed with the District's name on them and they should be serially numbered.

Exit Items

- b. On the receipt show the name of the payee, the amount, the date, whether the payment was received as cash or check, and the reason for the payment. Places to indicate this information should also be printed on the receipts.
 - c. Deposit money at least weekly.
 - d. Someone, who does not receipt, should reconcile the County Treasurer's slip to the receipts included in the deposit. The slip should reconcile by total and check/cash amounts. All receipts should be included in a deposit.
5. The District has employed the Chief's daughter. RCW 42.23.030 allows this if the payments don't exceed seven hundred fifty dollars per month, or one hundred dollars per month for unskilled labor, and if the employment relationship is publicly disclosed. We recommend the Commissioners approve the employment relationship in open public meeting.
6. Imprest fund checks were made payable to cash. This creates a weakness of control over cash. We recommend imprest fund checks be made payable to whomever is receiving the check.
7. When unused advance travel cash is returned to the District, it is kept and reissued for other travel. This creates a weakness of control over cash. We recommend when cash is given to the District, a receipt be written for it and the cash be deposited in the District's account. All disbursements from the advance travel should be by check. An alternative to an advance travel imprest account is a credit card.
8. The District commissioners went into an executive session to discuss personnel salaries as part of the 1994 budget.

RCW 42.30.110(1)(g) states, in part:

Discussion by a governing body of salaries, wages, and other conditions of employment to be generally applied within the agency shall occur in a meeting open to the public.

We recommend the board review RCW 42.30.110 and convene into executive session for allowable purposes only.

9. District representatives purchased meals with District funds. While the purchases were for District business, many did not have the required information with them. The BARS manual requires the names of the people who partook, and the occasion requiring the expenditure of public funds for food. We recommend food purchase documentation include the names of those who ate and why the food was purchased.

