



Washington State Auditor's Office

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Financial Statements Audit Report

Island County Fire Protection District No. 5

(Central Whidbey Island Fire and Rescue)

For the period January 1, 2010 through December 31, 2014

Published April 4, 2016

Report No. 1016426





Washington State Auditor's Office

April 4, 2016

Board of Commissioners
Central Whidbey Island Fire and Rescue
Coupeville, Washington

Report on Financial Statements

Please find attached our report on Island County Fire Protection District No. 5'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
DEPUTY 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**

**Island County Fire Protection District No. 5
January 1, 2010 through December 31, 2014**

Board of Commissioners
Central Whidbey Island Fire and Rescue
Coupeville, 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 Island County Fire Protection District No. 5, Washington, as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 28, 2016.

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.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated March 28, 2016.

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

DEPUTY STATE AUDITOR

OLYMPIA, WA

March 28, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Island County Fire Protection District No. 5 January 1, 2010 through December 31, 2014

Board of Commissioners
Central Whidbey Island Fire and Rescue
Coupeville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Island County Fire Protection District No. 5, Washington, for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, 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, Island County Fire Protection District No. 5 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 Island County Fire Protection District No. 5, for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, 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 Island County Fire Protection District No. 5, as of December 31, 2014, 2013, 2012, 2011 and 2010, 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 March 28, 2016 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

DEPUTY STATE AUDITOR

OLYMPIA, WA

March 28, 2016

FINANCIAL SECTION

Island County Fire Protection District No. 5 January 1, 2010 through December 31, 2014

FINANCIAL STATEMENTS

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Island County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

Total for All Funds			
	(Memo Only)	001 General Fund	310 General Capital Projects
Beginning Cash and Investments			
30810 Reserved	-	-	-
30880 Unreserved	3,024,055	1,982,518	1,041,537
388 & 588 Prior Period Adjustments, Net	-	-	-
Operating Revenues			
310 Taxes	2,110,999	2,110,999	-
320 Licenses and Permits	-	-	-
330 Intergovernmental Revenues	3,738	3,738	-
340 Charges for Goods and Services	309,858	309,858	-
350 Fines and Penalties	-	-	-
360 Miscellaneous Revenues	30,221	30,221	-
Total Operating Revenues:	2,454,815	2,454,815	-
Operating Expenditures			
510 General Government	-	-	-
520 Public Safety	1,760,568	1,760,568	-
Total Operating Expenditures:	1,760,568	1,760,568	-
Net Operating Increase (Decrease):	694,247	694,247	-
Nonoperating Revenues			
370-380, 395 & 398 Other Financing Sources	-	-	-
391-393 Debt Proceeds	-	-	-
397 Transfers-In	439,500	-	439,500
Total Nonoperating Revenues:	439,500	-	439,500
Nonoperating Expenditures			
580, 596 & 599 Other Financing Uses	114	114	-
591-593 Debt Service	-	-	-
594-595 Capital Expenditures	486,341	-	486,341
597 Transfers-Out	439,500	439,500	-
Total Nonoperating Expenditures:	925,955	439,614	486,341
Net Increase (Decrease) in Cash and Investments:	207,792	254,633	(46,841)
Ending Cash and Investments			
5081000 Reserved	-	-	-
5085000 Unreserved	3,231,847	2,237,151	994,695
Total Ending Cash and Investments	3,231,847	2,237,151	994,695

The accompanying notes are an integral part of this statement.

Island County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

	Total for All Funds			
	(Memo Only)	001 General Fund	310 General Capital Projects	
Beginning Cash and Investments				
30810 Reserved	-	-	-	
30880 Unreserved	2,839,470	1,481,662	1,357,808	
388 & 588 Prior Period Adjustments, Net	-	-	-	
Operating Revenues				
310 Taxes	2,119,165	2,119,165	-	
320 Licenses & Permits	-	-	-	
330 Intergovernmental Revenues	4,779	4,779	-	
340 Charges for Goods and Services	208,103	208,103	-	
350 Fines & Penalties	-	-	-	
360 Miscellaneous Revenues	28,470	28,470	-	
Total Operating Revenues:	2,360,517	2,360,517	-	
Operating Expenditures				
510 General Government	-	-	-	
520 Public Safety	1,615,661	1,615,661	-	
Total Operating Expenditures:	1,615,661	1,615,661	-	
Net Operating Increase (Decrease):	744,856	744,856	-	
Nonoperating Revenues				
370-380, 395 & 398 Other Financing Sources	3,000	3,000	-	
391-393 Debt Proceeds	-	-	-	
397 Transfers-In	247,000	-	247,000	
Total Nonoperating Revenues:	250,000	3,000	247,000	
Nonoperating Expenditures				
580, 596 & 599 Other Financing Uses	-	-	-	
591-593 Debt Service	-	-	-	
594-595 Capital Expenditures	563,271	-	563,271	
597 Transfers-Out	247,000	247,000	-	
Total Nonoperating Expenditures:	810,271	247,000	563,271	
Net Increase (Decrease) in Cash and Investments:	184,585	500,856	(316,271)	
Ending Cash and Investments				
5081000 Reserved	-	-	-	
5085000 Unreserved	3,024,055	1,982,518	1,041,537	
Total Ending Cash and Investments	3,024,055	1,982,518	1,041,537	

The accompanying notes are an integral part of this statement.

Island County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2012

	Total for All Funds			
	(Memo Only)	001 General Fund	310 General Capital Projects	
Beginning Cash and Investments				
30810 Reserved	-	-	-	-
30880 Unreserved	2,765,875	2,765,875	-	-
388 & 588 Prior Period Adjustments, Net	-	-	-	-
Operating Revenues				
310 Taxes	1,613,782	1,613,782	-	-
320 Licenses & Permits	-	-	-	-
330 Intergovernmental Revenues	110,048	110,048	-	-
340 Charges for Goods and Services	15,489	15,489	-	-
350 Fines & Penalties	-	-	-	-
360 Miscellaneous Revenues	23,409	23,409	-	-
Total Operating Revenues:	1,762,727	1,762,727	-	-
Operating Expenditures				
510 General Government	177	177	-	-
520 Public Safety	1,506,568	1,506,568	-	-
598 Intergovernmental Payments	-	-	-	-
Total Operating Expenditures:	1,506,746	1,506,746	-	-
Net Operating Increase (Decrease):	255,982	255,982	-	-
Nonoperating Revenues				
370-380, 395 & 398 Other Financing Sources	304	304	-	-
391-393 Debt Proceeds	-	-	-	-
397 Transfers-In	1,530,523	-	1,530,523	-
Total Nonoperating Revenues:	1,530,827	304	1,530,523	-
Nonoperating Expenditures				
580, 596 & 599 Other Financing Uses	(24)	(24)	-	-
591-593 Debt Service	-	-	-	-
594-595 Capital Expenditures	182,715	10,000	172,715	-
597 Transfers-Out	1,530,523	1,530,523	-	-
Total Nonoperating Expenditures:	1,713,214	1,540,499	172,715	-
Net Increase (Decrease) in Cash and Investments:	73,595	(1,284,213)	1,357,808	
Ending Cash and Investments				
5081000 Reserved	-	-	-	-
5085000 Unreserved	2,839,470	1,481,662	1,357,808	-
Total Ending Cash and Investments	2,839,470	1,481,662	1,357,808	

The accompanying notes are an integral part of this statement.

Central Whidbey Island Fire & Rescue #5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2011

	Total for all Funds	001-General	300-Capital	200-LTGO
Beginning Cash & Investments				
308.10 Reserved				
308.80 Unreserved	2,518,351.38	2,518,351.38	-	-
388 & 588 Prior Period Adjustments	-	-	-	-
Operating Revenues				
310 Taxes	1,611,965.66	1,611,965.66	-	-
320 Licenses and Permits	-	-	-	-
330 Intergovernmental	14,107.00	14,107.00	-	-
340 Charges for Goods & Services	204,741.00	204,741.00	-	-
350 Fines & Penalties	-	-	-	-
360 Miscellaneous Revenues	46,799.10	46,799.10	-	-
390 Other Financing Source	-	-	-	-
Total Operating Revenues	1,877,612.76	1,877,612.76	-	-
Operating Expenditures				
510 General Government	8,181.53	8,181.53	-	-
520 Public Safety	1,481,548.88	1,481,548.88	-	-
Total Operating Expenditures	1,489,730.41	1,489,730.41	-	-
Net Operating Increase (Decrease)	387,882.35	387,882.35	-	-
Nonoperating Revenues				
370-380, 395 & 398 Other Financing Sources	29,844.88	29,844.88	-	-
391-393 Debt Proceeds	-	-	-	-
397 Transfers-In	169,831.18	-	48,621.18	121,210.00
Total Non-Operating Revenues	199,676.06	29,844.88	48,621.18	121,210.00
Nonoperating Expenditures				
580, 596 & 599 Other Financing Uses	-	-	-	-
591-593 Debt Service	121,210.00	-	-	121,210.00
594-595 Capital Expenditures	48,621.18	-	48,621.18	-
597 Transfers Out	169,831.18	169,831.18	-	-
Total Non-Operating Expenditures	339,662.36	169,831.18	48,621.18	121,210.00
Net Increase (Decrease) in Cash & Investments	247,896.05	247,896.05	-	-
Ending Cash & Investments				
508.10 Reserved	-	-	-	-
508.80 Unreserved	2,766,247.43	2,766,247.43	-	-

The accompanying notes are an integral part of this statement.

Central Whidbey Island Fire & Rescue #5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2010

	Total for all Funds	001-General	300-Capital	200-LTGO
Beginning Cash & Investments				
308.10 Reserved	-	-	-	-
308.80 Unreserved	2,244,889	2,244,889	-	-
388 & 588 Prior Period Adjustments				
Operating Revenues				
310 Taxes	1,558,937	1,558,937	-	-
320 Licenses and Permits	-	-	-	-
330 Intergovernmental	6,495	6,495	-	-
340 Charges for Goods & Services	294,222	294,222	-	-
350 Fines & Penalties	-	-	-	-
360 Miscellaneous Revenues	27,567	27,567	-	-
Total Operating Revenues	1,887,221	1,887,221	-	-
Operating Expenditures				
510 General Government	457	457	-	-
520 Public Safety	1,354,617	1,354,617	-	-
Total Operating Expenditures	1,355,075	1,355,075	-	-
Net Operating Increase (Decrease)	532,146	532,146	-	-
Nonoperating Revenues				
370-380, 395 & 398 Other Financing Sources	-	-	-	-
391-393 Debt Proceeds	-	-	-	-
397 Transfers-In	258,684	-	136,589	122,095
Total Non-Operating Revenues	258,684	-	136,589	122,095
Nonoperating Expenditures				
580, 596 & 599 Other Financing Uses	-	-	-	-
591-593 Debt Service	122,095	-	-	122,095
594-595 Capital Expenditures	136,589	-	136,589	-
597 Transfers Out	258,684	258,684	-	-
Total Non-Operating Expenditures	517,368	258,684	136,589	122,095
Net Increase (Decrease) in Cash & Investments	273,462	273,462	-	-
Ending Cash & Investments				
508.10 Reserved	-	-	-	-
508.80 Unreserved	2,518,351	2,518,351	-	-

The accompanying notes are an integral part of this statement.

Note 1-Summary of Significant Accounting Policies

The district was incorporated in 1952 and operates under the laws of the state of Washington applicable to a fire district. The fire district is a special purpose government and provides fire protection services, fire suppression services, emergency medical and protection of life and property to Central Whidbey Island Fire & Rescue and is primarily through property taxes. Central Whidbey Island Fire & Rescue uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The Central Whidbey Island Fire & Rescue (CWIFR) 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:

- ② Financial transactions are recognized on a cash basis of accounting as described below.
- ② Component units are required to be disclosed, but are not included in the financial statements.
- ② Government-wide statements, as defined in GAAP, are not presented.
- ② All funds are presented, rather than a focus on major funds.
- ② The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- ② Supplementary information required by GAAP is not presented.
- ② Ending balances are not presented using the classifications defined in GAAP.

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 an accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements.

Governmental Fund Types

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.

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.

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.

Budgets

CWIFR adopts annual appropriated budgets for all funds. 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.

It is budget policy to maintain a balanced budget, defined as funds total resources comprised of beginning fund balance, revenues, and other funds equal to the total expenditures, other fund use, and the funds ending balance.

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

001 - General Fund			
General Fund	2,681,244.00	2,203,931.21	477,312.79
Contingency Fund	29,183.00	29,183.00	
001 - General Fund Total	2,710,427.00	2,233,114.21	477,312.79
310 - General Capital Projects	541,780.00	486,341.42	55,438.58
510 - Compensated Absences Trust	9,516.00	9,516.00	

Budgeted amounts are authorized to be transferred between departments within any fund/object classes; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

Cash and Investments

See Note 2 - *Deposits and Investments*.

Capital Assets

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

Compensated Absences

District policy states the executive staff which includes the Fire Chief, Deputy Chief and the Office Manager will be provided Paid Time Off (PTO) to provide for holidays, vacation, and in the event of illness or off-the-job-injury. Executive staff shall accrue PTO monthly based on their length of service with the District. The Board of Commissioners may choose to place a member of the Executive Staff at an accrual rate higher than their actual length of service.

Length of Service	Monthly Accrual (Hours)	Annual Accrual Hours	Maximum Carryover (Hours)
< 5 Years	25.33	304	280
5-10 Years	28.66	344	280
>10 Years	32.00	384	280

Up to 280 hours of accrued PTO can be carried over from one year to the next. Hours in excess of the Maximum Carryover on December 31 will be transferred to Long Term Sick Leave. In addition, Executive may elect to transfer accrued hours from PTO to Long Term Sick Leave between November 30th and December 31st.

Upon separation from the District, Executive Staff will be paid for all unused PTO.

Long Term Sick Leave: Long Term Sick Leave was established to provide paid time off benefits for Executive Staff in the event of a long term illness or off-the-job injury.

If an Executive Staff member is sick they will use PTO until such time as they have expended 140 hours of PTO (single illness or injury) or their PTO balance reaches 40 hours (whichever comes first). When this threshold is reached, paid leave for this illness or injury will be charged against the members Long Term Sick Leave Accrual.

Executive Staff member may donate unlimited accrued sick leave to any other Executive Staff member that meets the following criteria:

1. No demonstrated sick leave abuse during the previous twelve (12) months.
2. Member suffering from a serious illness, injury, or medical condition certified by the employee's treating physician that prevents regular assigned duties.
3. The employee's condition has exhausted his or her PTO and Long Term Sick Leave.

Upon separation from the District, Executive Staff will be paid for up to 240 hours of accrued Long Term Sick Leave.

The Deputy Chief was paid \$9,516.00 for 240 accrued hours of Long Term Sick and \$11,562.73 for 291.62 accrued hours of Paid Time Off (PTO) upon his separation with the district in July 2014.

Union Employees: Vacation monthly and maximum accrual in hours is based on employees normal work schedule as follows:

Work Schedule	<1 Year	2 Years	3 Years	4 Years	>5 Years	Maximum Accrual
24-Hour	10.00	14.00	20.00	24.00	25.92	720
12-Hour Shift	7.92	11.08	15.83	19.90	21.03	597
10.5 Hour Shift	7.92	11.08	15.83	19.90	21.03	597
8.4 Hour Shift	7.92	11.08	15.83	19.90	21.03	597

Upon separation, the employee is compensated for any unused vacation time at their basic hourly rate of pay.

Sick Leave monthly and maximum accrual in hours is based on employees normal work schedule as follows:

Work Schedule	Monthly Accrual	Primary Bank Maximum Accrual	Secondary Bank Maximum Accrual
24-Hour Shift	24.00 Hours	1200 Hours	1000 Hours
12-Hour Shift	19.90 Hours	995 Hours	829 Hours
10.5 Hour Shift	19.90 Hours	995 Hours	829 Hours
8.4 Hour Shift	19.90 Hours	995 Hours	829 Hours

New employees are provided an advance of two times the monthly accrual rate for their normal shift schedule.

Employees shall accrue sick leave in their primary bank until they reach their bank maximum and then accrue in their secondary sick leave bank. The secondary sick leave bank provides an extended period of salary protection in the event of a serious injury or long term illness. The secondary sick leave bank may only be used after the primary sick leave bank has been exhausted and prior to the donation of leave by other employees.

Management Set Aside:

\$17,672 is set aside for compensated absences.

Note 2- Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the county or its agent in the district's name. Investments are presented at fair market value. Ending cash and investments were \$3,231,846 and held by the Island County Treasurers Office as an agent for the District.

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

Type of Investment	Total
LGIP State Pool (fmv)	1,909,274

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 after the end of each month.

Property tax revenues are recognized when cash is received by the county. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The district's regular levy for the year 2014 was \$1.3809362264 per \$1,000 on an assessed valuation of \$1,554,277,590 for a total regular levy of \$2,146,358.23.

Notes 4 – Pension Plan

Substantially all of the district's full-time and qualifying part-time employees participate in LEOFF II, PERS 2 or PERS 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the district's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or the 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

Note 5 – Other Disclosures

Inter-Local Agreements

- ☐ Whidbey General Hospital to provide BLS transports.
- ☐ ICOM for cell tower land use
- ☐ Sprint/Nextel for cell tower land use
- ☐ Island County for fire inspections

CWIFR Mutual Aid Agreements

- ☐ East Fire & Rescue to increase the effectiveness and efficiency of emergency response by CWIFR and East Jefferson Fire Rescue
- ☐ Commander Navy Region Northwest Fire & Emergency to augment fire protection, technical rescue, and basic and advanced medical and life support services
- ☐ Department of Natural Resources to provide mutual assistance in the control and suppression of forestland fires
- ☐ The City of Oak Harbor, City of Coupeville, City of Langley, Island County, Island County Sheriff, Fire Districts 1, 2, 3 and Whidbey General Hospital to provide additional manpower and equipment as necessary to control emergencies or a disaster

Miscellaneous Contracts

- ☐ Whidbey General Hospital to split utility costs as a shared building
- ☐ Mr. Jack & Deanne Tallman for shared water rights at Station 54

Automatic Aid Agreements

- ☐ Camano Island Fire & Rescue #1 - to increase the effectiveness and efficiency of emergency response by CWIFR and Camano Island Fire Rescue within their respective districts.
- ☐ North Whidbey Fire & Rescue #2 - to increase the effectiveness and efficiency of emergency response by CWIFR and NWFR within their respective districts

- ⑦ South Whidbey Fire & Emergency Services #3 - to increase the effectiveness and efficiency of emergency response by CWIFR and SWFR within their respective districts

Note 1-Summary of Significant Accounting Policies

The district was incorporated in 1952 and operates under the laws of the state of Washington applicable to a fire district. The fire district is a special purpose government and provides fire protection services, fire suppression services, emergency medical and protection of life and property to Central Whidbey Island Fire & Rescue and is primarily through property taxes. Central Whidbey Island Fire & Rescue uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The Central Whidbey Island Fire & Rescue (CWIFR) 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.

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 single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. Central Whidbey Island Fire & Rescue's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by CWIFR:

Governmental Fund Types

General (Current Expense) Fund: This fund is the primary operating fund of the district. It accounts for all financial resources except those required or elected to be accounted for in another fund.

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.

Basis of Accounting

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, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Budgets

CWIFR adopts annual appropriated budgets for all funds. 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 were as follows

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001-General Fund			
General Fund	2,477,430.00	1,897,903.89	579,526.11
Contingency Fund	39,870.00	39,870.00	
001-General Fund Total	2,517,300.00	1,937,773.89	579,526.11
310 - General Capital Projects	577,246.12	563,271.03	13,975.09

Budgeted amounts are authorized to be transferred between departments within any fund/object classes; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

Cash

It is the district'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 prorated to the various funds.

Deposits

The district deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

Investments

See Note 2, *Investments*.

Capital Assets

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

Compensated Absences

District policy states:

Fire Chief: Upon hire, the start balance is (5) days. Vacation shall accrue at (11.33) hours per month thereafter with a 30 day maximum accrual that is payable upon retirement. In the event of termination any unused vacation will be paid on a prorated basis per his contract.

Upon hire, the start balance is (5) days. Sick Leave may accumulate up to maximum of 30 days. The district agrees to buy back 60% of the Chief's unused sick leave to a maximum of 30 days whichever is smaller.

Deputy Chief: Vacation shall accrue at (1) day per month for the first and second year of employment and (10.67) days of vacation per month thereafter. Accrued vacation is limited to a maximum of 20 days during any calendar year. In the event of retirement or termination any unused vacation will be paid on a prorated basis.

Sick Leave may accumulate up to a maximum of 120 days. The district agrees to buy back 60% of the Battalion's Chief's unused sick leave to a maximum of 7 days
whichever is smaller upon retirement or disability.

Office Manager: Vacation shall accrue at (11.33) hours per month with a 30 day maximum accrual. In the Event of retirement or termination, any accumulated vacation will be paid up to a maximum of 30 days.

Sick Leave may accumulate to a maximum of 120 days and pay back is 50% of the unused sick leave to a maximum of 30 shifts whichever is smaller.

Union Employees: Vacation monthly and maximum accrual in hours is based on employees normal work schedule as follows:

Years	<1 Years	2 Years	3 Years	4 Years	>5 Years	Maxium Work Schedule	Year
24-Hour	10.00	14.00	20.00	24.00	25.92	720	
12-Hour Shift	7.92	11.08	15.83	19.90	21.03	597	
10.5 Hour Shift	7.92	11.08	15.83	19.90	21.03	597	
8.4 Hour Shift	7.92	11.08	15.83	19.90	21.03	597	

Upon separation, the employee is compensated for any unused vacation time at their basic hourly rate of pay.

Sick Leave monthly and maximum accrual in hours is based on employees normal work schedule as follows:

Work Schedule	Monthly Accrual	Primary Maxium Accrual	Bank Maximum Accrual
24-Hour Shift	24.00 Hours	1200 Hours	1000 Hours
12-Hour Shift	19.90 Hours	995 Hours	829 Hours
10.5 Hour Shift	19.90 Hours	995 Hours	829 Hours
8.4 Hour Shift	19.90 Hours	995 Hours	829 Hours

New employees are provided an advance of two times the monthly accrual rate for their normal shift schedule.

Employees shall accrue sick leave in their primary bank until they reach their bank maximum and then accrue in their secondary sick leave bank. The secondary sick leave bank provides an extended period of salary protection in the event of a serious injury or long term illness. The secondary sick leave bank may only be used after the primary sick leave bank has been exhausted and prior to the donation of leave by other employees.

There was no pay out for accrued sick leave.

Management Set Aside:

\$ 13,923 is set aside for sick leave compensated absences.

\$ 160,330 is set aside reserved for contingency.

\$ 1,041,536 is set aside reserved for capital projects.

\$ 1,215,789

Note 2 – Investments

Ending cash and investments were \$3,024,054 and held by the Island County Treasurer's office. The district's investments are insured, registered or held by its agent in district's name.

Investments are presented at fair market and at cost. Investments by type at

December 31, 2013 are as follows:

Type of Investment	Total
LGIP State Pool (fmv)	2,792,000

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 after the end of each month.

Property tax revenues are recognized when cash is received by the county. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The district's regular levy for the year 2013 was \$ 1.3438740675 per \$1,000 on an assessed valuation of \$1,573,308,758 for a total regular levy of \$2,114,328.84.

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

Property tax revenues are recognized when cash is received by the county. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The district's regular levy for the year 2013 was \$ 1.3438740675 per \$1,000 on an assessed valuation of \$1,573,308,758 for a total regular levy of \$2,114,328.84.

Note 4 – Pension Plans

Substantially all of the districts full-time and qualifying part-time employees participate in LEOFF II, PERS 2 or PERS 3 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 district'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

Note 5 – Other Disclosures

Inter-Local Agreements

- ☐ Whidbey General Hospital to provide BLS transports.
- ☐ ICOM for cell tower land use
- ☐ Sprint/Nextel for cell tower land use
- ☐ Island County for fire inspections

CWIFR has Mutual Aid Agreements

- ☐ East Fire & Rescue to increase the effectiveness and efficiency of emergency response by CWIFR and East Jefferson Fire Rescue.
- ☐ Commander Navy Region Northwest Fire & Emergency to augment fire protection, technical rescue, and basic and advanced medical and life support services.
- ☐ Department of Natural Resources to provide mutual assistance in the control and suppression of forestland fires
- ☐ The City of Oak Harbor, City of Coupeville, City of Langley, Island County, Island County Sheriff, Fire Districts 1, 2, 3 and Whidbey General Hospital to provide additional manpower and equipment as necessary to control emergencies or a disaster.

Miscellaneous Contracts

- ☐ Whidbey General Hospital to split utility costs as a shared building
- ☐ Mr. Jack & Deanne Tallman for shared water rights at Station 54.

Automatic Aid Agreements

- ☐ Camano Island Fire & Rescue #1 - to increase the effectiveness and efficiency of emergency response by CWIFR and Camano Island Fire Rescue within their respective districts.
- ☐ North Whidbey Fire & Rescue #2 - to increase the effectiveness and efficiency of emergency response by CWIFR and NWFR within their respective districts.

- ② South Whidbey Fire & Emergency Services #3 - to increase the effectiveness and efficiency of emergency response by CWIFR and SWFR within their respective districts.

**Central Whidbey Island Fire & Rescue
Island County Fire District No. 5
For the Year Ended December 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Central Whidbey Island Fire & Rescue 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 district was incorporated on 1952 and operates under the laws of the state of Washington applicable to a fire district. A fire district provides fire protections services, fire suppression services, emergency medical and protection of life and property to Central Whidbey Island and is supported primarily through property taxes. Central Whidbey Island Fire & Rescue uses single-entry, cash basis accounting prescribed for fire districts by the Washington State Auditor.

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 is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. Central Whidbey Island Fire & Rescue's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by Central Whidbey Island Fire & Rescue:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

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.

Capital Project 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

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, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with the state law the district 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.

The basis of accounting described above represents a comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States of America.

C. Budgets

The district adopts annual appropriated budgets for all funds. 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 appropriated on the same basis of accounting as used for financial reporting.

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund			
General Fund	3,372,682.22	3,216,124.60	156,557.62
Contingent Trust Fund	<u>10,000.00</u>	<u>10,000.00</u>	
Total 001 - General Fund	<u>3,382,682.22</u>	<u>3,226,124.60</u>	<u>156,557.62</u>
130 - Grant Management Fund	689.72	689.72	
310 - General Capital Projects	175,483.00	172,715.36	2,767.64

Budget amounts are authorized to be transferred between departments within any fund/object classes; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

D. Cash

It is the district'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 prorated to the various funds.

E. Deposits

The district's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments

See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial cost of more than \$5000.00 and an estimated useful life in excess of 3 years. The capital assets of the district are recorded as expenditures when purchased.

H. Compensated Absences

District policy states:

Fire Chief:

Upon hire, the start balance is (5) days. Vacation shall accrue at (11.33) hours per month thereafter with a 30 day maximum accrual that is payable upon retirement. In the event of termination any unused vacation will be paid on a prorated basis per his contract.

Upon hire, the start balance is (5) days. Sick Leave may accumulate up to maximum of 30 days. The district agrees to buy back 60% of the Chief's unused sick leave to a maximum of 30 days which ever is smaller.

Deputy Chief:

Vacation shall accrue at (1) day per month for the first and second year of employment and (10.67) days of vacation per month thereafter. Accrued vacation is limited to a maximum of 20 days during any calendar year. In the event of retirement or termination any unused vacation will be paid on a prorated basis.

Sick Leave may accumulate up to a maximum of 120 days. The district agrees to buy back 60% of the Battalion's Chief's unused sick leave to a maximum of 7 days which ever is smaller upon retirement or disability.

Office Manager:

Vacation shall accrue at (11.33) hours per month with a 30 day maximum accrual. In the Event of retirement or termination, any accumulated vacation will be paid up to a maximum of 30 days.

Sick Leave may accumulate to a maximum of 120 days and pay back is 50% of the unused sick leave to a maximum of 30 shifts which ever is smaller.

Union:

Vacation monthly and maximum accrual in hours is based on employees normal work schedule as follows:

	<1	2	3	4	>5	Maximum
Work Schedule:	Years	Years	Years	Years	Years	Accrual
24 Hour	10.00	14.00	20.00	24.00	25.92	720
12 Hour Shift	7.92	11.08	15.83	19.90	21.03	597
10.5 Hour Shift	7.92	11.08	15.83	19.90	21.03	597
8.4 Hour Shift	7.92	11.08	15.83	19.90	21.03	597

Upon separation, the employee is compensated for any unused vacation time at their basic hourly rate of pay.

Sick Leave monthly and maximum accrual in hours is based on employees normal work schedule as follows:

Work Schedule	Monthly Accrual	Primary Bank Max. Accrual	Secondary Bank Max. Accrual
24 Hour Shift	24.00	1200	1000
12 Hour Shift	19.90	995	829
10.5 Hour Shift	19.90	995	829
8.4 Hour Shift	19.90	995	829

New employees are provided an advance of two times the monthly accrual rate for their normal shift schedule.

Employees shall accrue sick leave in their primary bank until they reach their bank maximum and then accrue in their secondary sick leave bank. The secondary sick leave bank provides an extended period of salary protection in the event of a serious injury or long term illness. The secondary sick leave bank may only be used after the primary sick leave bank has been exhausted and prior to the donation of leave by other employees.

There is no pay out for accrued sick leave.

I. Management Set Aside:

\$12,005.00 set aside for sick leave compensated absences.

\$166,875.00 set aside for contingency.

Note 2 – Investments

Ending cash and investments were \$2,839,470 and held by the Island County Treasurer's Office. The district's investments are insured, registered or held by its agent in district's name.

Investments are presented at fair market and at cost.

Investments by type at December 31, 2012 are as follows:

Type of Investment	Investments held by Island County Treasurers Office as an agent for this District	Total
LGIP State Pool (fmv)	2,305,500	2,305,500
CD Whidbey Island Bank	288,300	288,300
	Total	\$ 2,593,800

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 the County. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

Central Whidbey Island Fire & Rescue's regular levy for the year 2011 for collection in 2012 was \$1.00102690 per \$1,000 on an assessed valuation of \$1,624,165,517 for a total regular levy of \$1,625,833.38.

Note 4 – Pension Plans

Substantially all of the Districts full-time and qualifying part-time employees participate in the LEOFF II, PERS 2 or PERS 3 administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District'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 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

Note 5 – Other Disclosures

*Inter-Local Agreement between Central Whidbey Island fire & Rescue and Whidbey General Hospital to provide BLS transports.

*Contract between Central Whidbey Island & Rescue and Whidbey General Hospital to split utilities costs at a shared building.

*Inter-Local Agreement with the Town of Coupeville

*Inter-Local Agreement with ICOM for Cell Tower Land Use

*Agreement with Sprint/Nextel for Cell Tower Land Use

**Central Whidbey Island Fire & Rescue
Island County Fire District No. 5
For the Year Ended December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Whidbey Island Fire & Rescue District No. 5 is a special purpose government that provides that provides fire protection services, fire suppression services, emergency medical and protection of life and property to Central Whidbey Island and is supported primarily through property taxes. The District was incorporated in 1952 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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 is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. 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:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Project Funds

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects.

b. Basis of Accounting

The Central Whidbey Island Fire & Rescue District No. 5 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 an other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

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

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

c. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as cash and investments.

d. Deposits

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

e. Capital Assets

Capital assets are long-lived assets of the District and are recorded as capital expenditures when purchased.

f. Compensated Absences

District policy states:

The Fire Chief :

Upon hire, the start balance is (5) days. Vacation shall accrue at (11.33) hours per month thereafter with a 30 day maximum accrual that is payable upon retirement. In the event of termination any unused vacation will be paid on a prorated basis per his contract.

Upon hire, the start balance is (5) days. Sick Leave may accumulate up to maximum of 30 days. The district agrees to buy back 60% of the Chief's unused sick leave to a maximum of 30 days which ever is smaller.

Battalion Chief:

Vacation shall accrue at (1) day per month for the first and second year of employment and (10.67) days of vacation per month thereafter. Accrued vacation is limited to a maximum of 20 days during any calendar year. In the event of retirement or termination any unused vacation will be paid on a prorated basis.

Sick Leave may accumulate up to a maximum of 120 days. The district agrees to buy back 60% of the Battalion's Chief's unused sick leave to a maximum of 7 days which ever is smaller upon retirement or disability.

Office Manager:

Vacation shall accrue at (11.33) hours per month with a 30 day maximum accrual. In the Event of retirement or termination, any accumulated vacation will be paid up to a maximum of 30 days.

Sick Leave may accumulate to a maximum of 120 days and pay back is 50% of the unused sick leave to a maximum of 30 shifts which ever is smaller.

Union:

Vacation monthly and maximum accrual in hours is based on employees normal work schedule as follows:

	<1	2	3	4	>5	Maximum
Work Schedule:	Years	Years	Years	Years	Years	Accrual
24 Hour	10.00	14.00	20.00	24.00	25.92	720
12 Hour Shift	7.92	11.08	15.83	19.90	21.03	597
10.5 Hour Shift	7.92	11.08	15.83	19.90	21.03	597
8.4 Hour Shift	7.92	11.08	15.83	19.90	21.03	597

Upon separation, the employee is compensated for any unused vacation time at their basic hourly rate of pay.

Sick Leave monthly and maximum accrual in hours is based on employees normal work schedule as follows:

Work Schedule	Monthly Accrual	Primary Bank Max. Accrual	Secondary Bank Max. Accrual
24 Hour Shift	24.00	1200	1000
12 Hour Shift	19.90	995	829
10.5 Hour Shift	19.90	995	829
8.4 Hour Shift	19.90	995	829

New employees are provided an advance of two times the monthly accrual rate for their normal shift schedule.

Employees shall accrue sick leave in their primary bank until they reach their bank maximum and then accrue in their secondary sick leave bank. The secondary sick leave bank provides an extended period of salary protection in the event of a serious injury or long term illness. The secondary sick leave bank may only be used after the primary sick leave bank has been exhausted and prior to the donation of leave by other employees.

There is no pay out for accrued sick leave.

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 County. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Central Whidbey Island Fire & Rescue's regular levy for the year 2010 for collection in 2011 was \$0.9749751346 per \$1,000 on an assessed valuation of \$1,645,245,774 for a total regular levy of \$1,604,073.72.

NOTE 3 – INVESTMENTS

Ending cash and investments were \$2,766,247 and held by the Island County Treasurer's office. The District's investments are insured, registered or held by its agent in district's name.

Investments are presented at fair market and at cost.

Investments by type at December 31, 2011 were as follows:

Type of Investment	Investments held by Island County Treasurers Office as an agent for this District	Total
LGIP State Pool (fmv)	2,493,400	2,493,400

NOTE 4 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the district and summarizes the District's debt transactions for year 2011. This year compensated absences were added in the amount of \$96,755. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Other Debt	Total Debt
	\$121,210	\$	\$121,210
Total:	\$121,210		\$121,210

NOTE 5 - PENSION PLANS

Substantially all of the Districts full-time and qualifying part-time employees participate in the LEOFF II, PERS 2 or PERS 3 administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District'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 state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

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

**Central Whidbey Island Fire & Rescue
Island County Fire District No. 5
For the Year Ended December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Whidbey Island Fire & Rescue District No. 5 is a special purpose government that provides that provides fire protection services, fire suppression services, emergency medical and protection of life and property to Central Whidbey Island and is supported primarily through property taxes. The District was incorporated in 1952 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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 is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. 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:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Project Funds

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects.

b. Basis of Accounting

The Central Whidbey Island Fire & Rescue District No. 5 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 an other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

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

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

c. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as cash and investments.

d. Deposits

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

e. Capital Assets

District policy defines capital assets as having a purchase price of greater than \$5000 and a service life of greater than three years and are recorded as capital expenditures when purchased.

f. Compensated Absences

As per employment contracts:

The Fire Chief:

Upon hire, the start balance is (5) days. Vacation shall accrue at (1.25) days per month thereafter with a 30 day maximum accrual that is payable upon retirement. In the event of termination any unused vacation will be paid on a prorated basis per his contract.

Upon hire, the start balance is (5) days. Sick Leave may accumulate up to maximum of 30 days. The district agrees to buy back 60% of the Chief's unused sick leave to a maximum of 30 days which ever is smaller.

Battalion Chief:

Vacation shall accrue at (1) day per month for the first and second year of employment and (1.25) days of vacation per month thereafter. Accrued vacation is limited to a maximum of 20 days during any calendar year. In the event of retirement or termination any unused vacation will be paid on a prorated basis.

Sick Leave may accumulate up to a maximum of 120 days. The district agrees to buy back 60% of the Battalion's Chief's unused sick leave to a maximum of 7 days which ever is smaller upon retirement or disability.

As per district policy:

Office Manager:

Vacation shall accrue at (1.25) per month with a 30 day maximum accrual. In the Event of retirement or termination, any accumulated vacation will be paid up to a maximum of 30 days.

Sick Leave may accumulate to a maximum of 120 days and pay back is 50% of the unused sick leave to a maximum of 30 shifts which ever is smaller.

As per collective bargaining agreement:

Union:

Vacation monthly and maximum accrual in hours is based on employees normal work schedule as follows:

	<1	2	3	4	>5	Maximum
Work Schedule:	Years	Years	Years	Years	Years	Accrual
24 Hour	10.00	14.00	20.00	24.00	25.92	720
12 Hour Shift	7.92	11.08	15.83	19.90	21.03	597
10.5 Hour Shift	7.92	11.08	15.83	19.90	21.03	597
8.4 Hour Shift	7.92	11.08	15.83	19.90	21.03	597

Upon separation, the employee is compensated for any unused vacation time at their basic hourly rate of pay.

Sick Leave monthly and maximum accrual in hours is based on employees normal work schedule as follows:

Work Schedule	Monthly Accrual	Primary Bank Max. Accrual	Secondary Bank Max. Accrual
24 Hour Shift	24.00	1200	1000
12 Hour Shift	19.90	995	829
10.5 Hour Shift	19.90	995	829
8.4 Hour Shift	19.90	995	829

New employees are provided an advance of two times the monthly accrual rate for their normal shift schedule.

Employees shall accrue sick leave in their primary bank until they reach their bank maximum and then accrue in their secondary sick leave bank. The secondary sick leave bank provides an extended period of salary protection in the event of a serious injury or long term illness. The secondary sick leave bank may only be used after the primary sick leave bank has been exhausted and prior to the donation of leave by other employees.

There is no pay out for accrued sick leave.

District's estimated liability for sick leave termination benefits on December 31, 2010 was \$12,393.90.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

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 the County. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The District's regular levy for the year 2009 for collection in 2010 was \$.85677714 per \$1,000 on an assessed valuation of \$1,842,888,837.00 for a total regular levy of \$1,578,945.03.

NOTE 4 – INVESTMENTS

Ending cash and investments were \$2,518,351 and held by the Island County Treasurer's Office. The district's investments are insured or held by its agent in the district's name.

Investments are presented at fair market and at cost.

Investments by type at December 31, 2010 were as follows:

Type of Investment	Investments held by Island County Treasurers Office as an agent for this District	Total
LGIP State Pool (fmv)	2,198,100	2,198,100

NOTE 5 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the district and summarizes the District's debt transactions for year 2010. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Other Debt	Total Debt
2010	\$122,095	\$	\$122,095
2011	\$121,210	\$	\$121,210

NOTE 6 - PENSION PLANS

Substantially all of the Districts full-time and qualifying part-time employees participate in the LEOFF II, PERS 2 or PERS 3 administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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PO Box 48380
Olympia WA 98504-8380

Island County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2014

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue Obligations						
259.12	Compensated Absences		91,528	9,963	-	101,491
	Total Revenue Obligations:		91,528	9,963	-	101,491
	Total Liabilities:		91,528	9,963	-	101,491

Island County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2013

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue Obligations						
259.12	Compensated Absences		102,009	-	10,481	91,528
	Total Revenue Obligations:		102,009	-	10,481	91,528
	Total Liabilities:		102,009	-	10,481	91,528

Island County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2012

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue Obligations						
259.12	Compensated Absences		96,755	5,254	-	102,009
	Total Revenue Obligations:		96,755	5,254	-	102,009
	Total Liabilities:		96,755	5,254	-	102,009

**Central Whidbey Island Fire & Rescue
Island County Fire District No. 5
For the Year Ended December 31, 2011**

ID. No.	Description	(1) Beginning Balance 01/01/2011	(2) Additions	(3) Reductions	BARS Code for Redemption of Debt Only	(4) Ending Balance Debt 12/31/2011 (1)+(2)-(3)
251.11	General Obligation Bond (Principal)	115,000		115,000	591.22.70	0
259.11	Compensated Absences		96,755			96,755
	Total:					96,755

[illegible]

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	
Deputy Director for Communications	Adam Wilson Adam.Wilson@sao.wa.gov (360) 902-0367
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov



Washington State Auditor's Office

Government that works for citizens

Accountability Audit Report

Island County Fire Protection District No. 5

(Central Whidbey Island Fire and Rescue)

For the period January 1, 2012 through December 31, 2014

Published April 4, 2016

Report No. 1016388





Washington State Auditor's Office

April 4, 2016

Board of Commissioners
Central Whidbey Island Fire and Rescue
Coupeville, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in blue ink, reading "Jan M. Jutte".

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

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AUDIT SUMMARY

Results in brief

In the areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of Central Whidbey Island Fire and Rescue from January 1, 2012 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Payroll
- Travel
- Credit cards
- Open Public Meetings Act

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Central Whidbey Island Fire and Rescue serves a 50 square-mile area of Whidbey Island from Penn Cove to the north end of Freeland, with a population of 10,000 citizens. The District provides emergency services in the form of fire suppression, emergency medical service at the basic life support level, marine rescue and high angle rescue. The District operates three fire stations.

An elected, three-member Board of Commissioners governs the District. The Board appoints a Fire Chief to oversee the District's daily operations as well as the Deputy Chief, eight full- and 11 part-time employees and 20 volunteer firefighters and emergency medical technicians. For fiscal years 2012, 2013 and 2014, the District received annual revenue of approximately \$1.8 million, \$2.3 million and \$2.5 million, respectively.

Contact information related to this report	
Address:	Island County Fire Protection District No. 5 1164 Race Road Coupeville, WA 98239-4013
Contact:	Kim Harpe, Office Manager
Telephone:	(360) 678-3602
Website:	www.cwfire.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for Island County Fire Protection District No. 5 at <http://portal.sao.wa.gov/ReportSearch>.

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