



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Island County Fire Protection District
No. 5
(Central Whidbey Island Fire and
Rescue)

For the period January 1, 2017 through December 31, 2018

Published May 6, 2019

Report No. 1023772





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

May 6, 2019

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

Report on Financial Statements

Please find attached our report on Central Whidbey Island Fire and Rescue's financial statements.

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

Sincerely,

A handwritten signature in blue ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	33

**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**

**Central Whidbey Island Fire and Rescue
January 1, 2017 through December 31, 2018**

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 Central Whidbey Island Fire and Rescue, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 29, 2019.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy
State Auditor
Olympia, WA

April 29, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Central Whidbey Island Fire and Rescue January 1, 2017 through December 31, 2018

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Central Whidbey Island Fire and Rescue, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, Central Whidbey Island Fire and Rescue 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 Central Whidbey Island Fire and Rescue, for the years ended December 31, 2018 and 2017, 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 Central Whidbey Island Fire and Rescue, as of December 31, 2018 and 2017, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy
State Auditor
Olympia, WA

April 29, 2019

FINANCIAL SECTION

Central Whidbey Island Fire and Rescue January 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018

Fund Resources and Uses Arising from Cash Transactions – 2017

Notes to Financial Statements – 2018

Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

Schedule of Liabilities – 2017

Island County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 General Fund	210 2017 Capital Bond Fund	211 Bond Redmption Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	11,895,855	2,806,318	7,424,543	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,671,965	2,298,992	372,974	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	37,192	37,192	-	-
340	Charges for Goods and Services	208,639	208,639	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	198,723	73,140	107,906	-
Total Revenues:		3,116,519	2,617,962	480,880	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,096,647	2,096,497	100	-
Total Expenditures:		2,096,647	2,096,497	100	-
Excess (Deficiency) Revenues over Expenditures:		1,019,872	521,466	480,780	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	567,858	-	-	364,112
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	10,251	10,251	-	-
Total Other Increases in Fund Resources:		578,109	10,251	-	364,112
Other Decreases in Fund Resources					
594-595	Capital Expenditures	195,889	-	83,391	-
591-593, 599	Debt Service	361,769	-	-	361,769
597	Transfers-Out	567,858	203,746	364,112	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		1,125,516	203,746	447,503	361,769
Increase (Decrease) in Cash and Investments:		472,465	327,971	33,277	2,343
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	12,368,321	3,134,289	7,457,820	2,343
Total Ending Cash and Investments		12,368,321	3,134,289	7,457,820	2,343

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, 2018**

		310 General Capital Projects
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	1,664,994
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	17,676
Total Revenues:		17,676
Expenditures		
510	General Government	-
520	Public Safety	50
Total Expenditures:		50
Excess (Deficiency) Revenues over Expenditures:		17,626
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	203,746
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		203,746
Other Decreases in Fund Resources		
594-595	Capital Expenditures	112,498
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		112,498
Increase (Decrease) in Cash and Investments:		108,874
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	1,773,868
Total Ending Cash and Investments		1,773,868

Island County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General Fund	210 2017 Capital Bond Fund	310 General Capital Projects
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	3,988,431	2,657,393	7	1,331,031
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,260,432	2,260,432	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	6,373	6,373	-	-
340	Charges for Goods and Services	212,530	212,530	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	52,130	44,242	-	7,888
Total Revenues:		2,531,465	2,523,577	-	7,888
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,024,811	2,024,758	-	54
Total Expenditures:		2,024,811	2,024,758	-	54
Excess (Deficiency) Revenues over Expenditures:		506,654	498,819	-	7,834
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	7,424,537	-	7,424,537	-
397	Transfers-In	349,000	-	-	349,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		7,773,537	-	7,424,537	349,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	22,872	-	-	22,872
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	349,000	349,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	894	894	-	-
Total Other Decreases in Fund Resources:		372,766	349,894	-	22,872
Increase (Decrease) in Cash and Investments:		7,907,425	148,925	7,424,537	333,962
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	11,895,855	2,806,318	7,424,543	1,664,994
Total Ending Cash and Investments		11,895,855	2,806,318	7,424,543	1,664,994

The accompanying notes are an integral part of this statement.

Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Central Whidbey Island Fire & Rescue was incorporated in 1952 and operates under the laws of the state of Washington applicable to a fire district. This is a special purpose local government and provides fire prevention, public education, fire suppression, emergency medical services, hazardous materials response, and technical rescue service within the District's boundaries.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any inter-fund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

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 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.

**Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018**

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the district also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

District policy states the executive staff which includes the Fire Chief, Deputy Chief and the Finance Officer 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. Payments are recognized as expenditures when paid.

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 or retirement from the District, Executive Staff will be paid for all unused PTO. Payments are recognized as expenditures when paid.

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.

**Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018**

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

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

Upon separation or retirement from the District, Executive Staff will be paid for up to 240 hours of accrued Long Term Sick Leave. Payments are recognized as expenditures when paid.

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 or retirement from the department, the employee is compensated for any unused vacation time at their basic hourly rate of pay. Payments are recognized as expenditures when paid.

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

Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018

only be used after the primary sick leave bank has been exhausted and prior to the donation of leave by other employees. Total unused accrual values as of December 31, 2018 as follows:

Leave Category	Total Accrual Value
Vacation	73,372.02
Paid Time Off (PTO)	34,955.88
Long Term Sick (LTS)	\$29,508.02
Comp Time	\$94.35
Total Liability:	
	\$137,930.27

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

Note 2 – Budget Compliance

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 adopted on the same basis of accounting as used for financial reporting.

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund	2560,573.60	2,300,242.82	260,330.78
210 - 2017 Capital Bond Fund	695,739.19	447,602.70	248,136.49
211 - Bond Redemption Fund	361,768.89	361,768.88	.01
310 – General Capital Projects	422,000	112,548.39	309,451.61

Budgeted amounts are authorized to be transferred between divisions 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 legislative body.

Note 3 – 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 district or its agent in the government’s name.

Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018

Investments are reported at fair market value. Investments by type at December 31, 2018 are as follows:

Type of Investment	District's Own Investments	Investments held by Island County Treasurer	Total
LGIP State Pool (fmv)		\$1,755,000	\$1,755,000
LGIP State Pool (fmv)		\$245,000	\$245,000
Federal Agency Coupon Securities (fmv)		\$349,000	\$349,000
LGIP State Pool (fmv)		\$7,034,000	\$7,034,000
		Total	\$9,383,000

Note 4 - Property Taxes

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

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

The district regular levy for the year 2018 was \$1.3063215747 per \$1,000 on an assessed valuation of \$1,760,780,779 for a total regular levy of \$2,300,145.92.

The district bond levy for the year 2018 was \$0.2204315825 per \$1,000 on an assessed valuation of \$1,732,964,014 for a total regular levy of \$382,000.

Note 5 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district debt transactions for year ended December 31, 2018.

The debt service requirements for unlimited general obligation bonds are as follows:

Year	Principal	Interest	Total
2019	\$120,000	\$252,700	\$372,700
2020	\$135,000	\$250,300	\$385,300
2021	\$155,000	\$246,250	\$401,250
2022	\$170,000	\$241,600	\$411,600
2023	\$190,000	\$236,500	\$426,500
2024-2028	\$1,310,000	\$1,059,800	\$2,369,800
2029-2033	\$2,080,000	\$740,000	\$2,820,000
2034-2037	\$2,380,000	\$247,000	\$2,627,000
Totals	\$6,540,000	\$3,274,150	\$9,814,150

**Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018**

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all district full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees’ Retirement System (PERS) and Law Officers and Firefighters’ Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

At June 30, 2018 (the measurement date of the plans), the district proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$10,543.92	0.001577%	\$70,429.00
PERS 2/3	\$15,574.09	0.002018%	\$34,456.00
LEOFF 2	\$51,521.13	0.029711%	(\$603,198.00)
VFFRPF	\$210.00	0.10%	(54,159.00)

LEOFF Plan 2

The district also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the

Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018

Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 7 – Risk Management

The district self-insures for unemployment compensation. We do not expect any claims.

Note 8 - Other Disclosures

A. Inter-Local Agreements

- WhidbeyHealth Hospital to provide BLS transports
- ICOM for cell tower land use
- Sprint/Nextel for cell tower land use
- Island County for fire inspections
- Town of Coupeville for fire inspections
- WhidbeyHealth Hospital to split utility costs as a shared building

B. 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 Camano Island Fire & Rescue, North Whidbey Fire & Rescue, South Whidbey Fire/EMS and WhidbeyHealth Hospital to increase the effectiveness and efficiency of emergency responses.

C. Miscellaneous Contracts

- Day Road Water Association
- Carletti Architects for the renovation and expansion of Station 53

D. Automatic Aid Agreements

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

Island County Fire Protection District No. 5
Notes to the Financial Statements
For the year ended December 31, 2018

- South Whidbey Fire/EMS - to increase the effectiveness and efficiency of emergency response by CWIFR and South Whidbey Fire/EMS within their respective districts.

Note 1 - Summary of Significant Accounting Policies

Central Whidbey Island Fire & Rescue was incorporated in 1952 and operates under the laws of the state of Washington applicable to a fire district. Central Whidbey Island Fire & Rescue is a special purpose local government and providing fire prevention, public education, fire suppression, emergency medical services, hazardous materials response, and technical rescue service within the District's boundaries.

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

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

A. Fund Accounting

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

Governmental Fund Types

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

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

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 Projects Funds: These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

B. Basis of Accounting and Measurement Focus

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

C. 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund	2,624,186.00	2,374,651.97	249,534.03
310 - General Capital Projects	106,400.00	22,925.27	83,474.73

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.

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 1 year. The Capital assets and inventory are recorded as capital expenditures when purchased.

F. 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. Payments are recognized as expenditures when paid.

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 or retirement from the District, Executive Staff will be paid for all unused PTO. Payments are recognized as expenditures when paid.

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:

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

Upon separation or retirement from the District, Executive Staff will be paid for up to 240 hours of accrued Long Term Sick Leave. Payments are recognized as expenditures when paid.

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 or retirement from the department, the employee is compensated for any unused vacation time at their basic hourly rate of pay. Payments are recognized as expenditures when paid.

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.

The district’s total compensated absence liability on December 31, 2017 was \$158,608.

G. - Long Term Debt

See Note 4, Debt Service Requirements.

H. - Risk Management

See Note 7, Risk Management.

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 agents in the district’s name

Investments are reported at fair market value. Investments by fund type at December 31, 2017 are as follows:

Type of Investment	District’s Own Investments	Investments held by Island County Treasurer	Total
LGIP State Pool (fmv)		\$1,339,000	\$1,339,000
LGIP State Pool (fmv)		\$26,814	\$26,814
LGIP State Pool (fmv)		\$1,180,700	\$1,180,700
	Total		\$2,546,514

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 2017 was \$1.3462666243 per \$1,000 on an assessed valuation of \$1,677,309,709 for a total regular levy of \$2,258,106.08.

Note 4 - Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district’s debt transactions for year ended December 31, 2017.

The debt service requirements for unlimited general obligation bonds are as follows:

Central Whidbey Island Fire & Rescue
Island County Fire District No. 5
Notes to the Financial Statements
For the Year Ended December 31, 2017

Year	Principal	Interest	Total
2018	\$125,000	\$236,769	\$361,769
2019	\$120,000	\$252,700	\$372,700
2020	\$135,000	\$250,300	\$385,300
2021	\$155,000	\$246,250	\$401,250
2022	\$170,000	\$241,600	\$411,600
2023-2027	\$1,185,000	\$1,105,300	\$2,290,300
2028-2032	\$1,905,000	\$816,200	\$2,721,200
2033-2037	\$2,870,000	\$361,800	\$3,231,800
Totals	\$6,665,000	\$3,510,919	\$10,175,919

Note 5 - Pension Plans

State Sponsored Pension Plans

Substantially all districts full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS) and Law Officers and Firefighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

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

Plan Type	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$9,321.00	0.00155000%	\$73,548.71
PERS 2/3	\$12,174.00	0.00199300%	\$69,247.22
LEOFF 2	\$46,728.91	0.02958000%	(\$410,474.56)
VFFRPF	\$330.00	0.150000%	(\$57,204.93)

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

Note 6 - Other Disclosures

A. Miscellaneous Finance

- In 2017, the General Fund balance is \$2000.00 is greater than the 2016 ending balance to account for a \$500 petty cash fund and a \$1500 advance travel fund held at Heritage Bank
- In September of 2017 the District was approved for a Fire Prevention and Safety Grant in the amount \$23,734 by the Department of Homeland Security. No money was used or received by the district as of December 31, 2017.
- In November 2017, the District's voters passed a \$7,376,000 bond measure for the station renovation and expansion of the District's headquarters and purchase of three fire engines. The District worked with its bond attorney, bond underwriter, and Standards & Poor's and received an exceptional AAA bond rating.

B. Inter-Local Agreements

- WhidbeyHealth Hospital to provide BLS transports
- ICOM for cell tower land use
- Sprint/Nextel for cell tower land use
- Island County for fire inspections
- Town of Coupeville for fire inspections
- WhidbeyHealth Hospital to split utility costs as a shared building

C. 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 WhidbeyHealth Hospital to provide additional manpower and equipment as necessary to control emergencies or a disaster

D. Miscellaneous Contracts

Day Road Water Association

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

Note 7 – Risk Management

The district self-insures for unemployment compensation. We do not expect any claims.

**Island County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	UTGO Bond	12/31/2037	6,665,000	-	125,000	6,540,000
	Total General Obligation Debt/Liabilities:		6,665,000	-	125,000	6,540,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		158,608	-	20,678	137,930
264.30	Pension Liabilities		142,796	-	37,941	104,855
	Total Revenue and Other (non G.O.) Debt/Liabilities:		301,404	-	58,619	242,785
	Total Liabilities:		6,966,404	-	183,619	6,782,785

**Island County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	UTGO Bond	12/31/2037	-	6,665,000	-	6,665,000
	Total General Obligation Debt/Liabilities:		-	6,665,000	-	6,665,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		140,199	18,409	-	158,608
264.30	Pension Liabilities		204,124	-	61,328	142,796
	Total Revenue and Other (non G.O.) Debt/Liabilities:		344,323	18,409	61,328	301,404
	Total Liabilities:		344,323	6,683,409	61,328	6,966,404

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov