



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Woodinville Fire & Rescue

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

Published February 27, 2020

Report No. 1025722





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

February 27, 2020

Board of Commissioners
Woodinville Fire & Rescue
Woodinville, Washington

Report on Financial Statements

Please find attached our report on Woodinville Fire & 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 black ink that reads "Pat McCarthy".

Pat McCarthy
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**

**Woodinville Fire & Rescue
January 1, 2018 through December 31, 2018**

Board of Commissioners
Woodinville Fire & Rescue
Woodinville, 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 Woodinville Fire & Rescue, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 13, 2020.

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 state law 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 audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

February 13, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Woodinville Fire & Rescue January 1, 2018 through December 31, 2018

Board of Commissioners
Woodinville Fire & Rescue
Woodinville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Woodinville Fire & Rescue, for the year ended December 31, 2018, 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 state law 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 audit. We conducted our audit 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, Woodinville Fire & Rescue has prepared these financial statements to meet the financial reporting requirements of state law 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 cash and investments of Woodinville Fire & Rescue, and its changes in cash and investments, for the year ended December 31, 2018, 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 Woodinville Fire & Rescue, as of December 31, 2018, or the changes in financial position or cash flows thereof for the year 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 audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 February 13, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

February 13, 2020

FINANCIAL SECTION

Woodinville Fire & Rescue January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to the Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

Woodinville Fire & Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Expense Fund</u>	<u>301 Capital Projects Fund (10-036-3020)</u>
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	16,539,496	16,507,105	32,391
388 / 588	Net Adjustments	867	867	-
Revenues				
310	Taxes	9,036,975	9,036,975	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	2,195	2,195	-
340	Charges for Goods and Services	6,127,175	6,127,175	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	654,076	651,951	2,126
Total Revenues:		<u>15,820,422</u>	<u>15,818,297</u>	<u>2,126</u>
Expenditures				
510	General Government	-	-	-
520	Public Safety	13,007,794	13,007,762	32
Total Expenditures:		<u>13,007,794</u>	<u>13,007,762</u>	<u>32</u>
Excess (Deficiency) Revenues over Expenditures:		2,812,628	2,810,534	2,094
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	2,048,029	275	2,047,753
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	2,896	2,896	-
Total Other Increases in Fund Resources:		<u>2,050,925</u>	<u>3,171</u>	<u>2,047,753</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	2,067,722	-	2,067,722
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	2,048,029	2,047,753	275
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
Total Other Decreases in Fund Resources:		<u>4,115,751</u>	<u>2,047,753</u>	<u>2,067,998</u>
Increase (Decrease) in Cash and Investments:		747,802	765,952	(18,151)
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	17,288,165	17,273,924	14,241
Total Ending Cash and Investments		17,288,165	17,273,924	14,241

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements
For the year ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Woodinville Fire & Rescue (the “District”) was incorporated on August 23, 1948 and operates under the laws of the state of Washington applicable to a fire district. The District is a special purpose local government and provides fire protection and emergency medical services to the general public.

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 interfund 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. For operational purposes it is broken down into the following sub-funds which are rolled up into one fund for financial reporting.

The Expense Fund (King County Fund No. 10-036-0010) accounts for all financial resources except those required by State law, or directed by Board resolution, to be accounted for in another fund.

The Benefit Charge Fund (King County Fund No. 10-036-0030) accounts for the collection of the fire benefit charges (a special assessment) imposed by the Board pursuant to RCW 52.18. All collections in the fund are automatically transferred to the Expense Fund each month.

The Reserve Fund (King County Fund No. 10-036-6010) accounts for general reserves held for future expenditures or emergencies. These funds can be used for any purpose and are not restricted.

The Benefit Liability Reserve Fund (King County Fund No. 10-036-6020) was created in 2011 to account for the District's encumbered liabilities at the end of the year. These include, but are not limited to, accrued vacation and sick leave, unused balances in Health Reimbursement Arrangement/VEBA ("HRA/VEBA") accounts, payments related to the 2013 Retirement Incentive Plan ("RIP"), or any other employee benefits-related liability of the District.

Capital Projects Funds

The Capital Project Fund (King County Fund No. 10-036-3020) accounts for financial resources designated by the Board for the acquisition, design, development, construction, renovation or major repair of capital facilities or other capital assets.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the 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.

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 \$5,000 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation:

For uniformed represented employees of the District, the Collective Bargaining Agreement ("CBA") allows for the following:

After the first 12 months of employment, vacation time shall be used in the year it is accrued. Should there be mitigating circumstances caused by the District which prevent that use, the District shall extend the vacation eligibility period until April 1 of the next year. Any such carryover at the end of the calendar year shall be limited to the number of hours accrued during that year. Hours in excess of the annual accrued maximum shall be transferred to the employee's sick leave bank. Upon separation, employees shall be compensated at their regular rate of pay for their unused vacation time.

For non-uniformed represented employees of the District, the CBA allows for the following:

The maximum number of vacation hours carried over cannot exceed the number of hours accrued in that calendar year. Any hours in excess of that amount shall be transferred to the employee's sick leave bank. Upon retirement or termination, employees shall be compensated at their regular rate of pay for their unused vacation.

District policy for non-represented employees allows for the following:

The maximum number of vacation hours carried over from one calendar year to the next cannot exceed one-half of the number of hours accrued in that calendar year. Any vacation hours over the maximum will be forfeited. Upon separation or death, any unused vacation is paid out.

The District’s estimated liability for vacation at December 31, 2018 was \$6,150.

Sick Leave:

For uniformed and non-uniformed represented employees of the District, the CBAs allow for the following:

Upon retirement or non-duty related death, the District will buy back an employee’s accrued sick leave balance at the rate of \$.35 on the dollar to a maximum of 2,000 hours. Should separation of service be due to a duty-related death, the employee’s beneficiary(ies) will receive a dollar for dollar payout of the employee’s accrued sick leave balance at the time of death.

District policy for non-represented employees allows for the following:

Upon voluntary separation or death with at least two years of service, unused sick leave shall be paid out at the employee’s base hourly rate according to the following schedule:

1 hr to 300 hrs	301 hrs to 600 hrs	601 hrs to 900 hrs	901 hrs to 1040 hrs
\$.10 per \$1.00	\$.20 per \$1.00	\$.30 per \$1.00	\$.40 per \$1.00

The District’s estimated liability for sick leave at December 31, 2018 was \$1,118,610. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

Note 2 – Budget Compliance

The District adopts annual appropriated budgets for general 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 2018 budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Expense Fund	\$ 13,653,571	\$ 13,005,511	\$ (648,060)

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.

Note 3 – Deposits and Investments

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.

The District has entered into a Cash Management Services Agreement with King County which allows King County to: (a) conduct daily sweeps of the District's cash balances using Zero Balance Accounts and automatically invest such balances in the King County Investment Pool; and (b) credit District bank deposits on date of deposit without regard to check float.

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.

Treasury Bonds, Notes, Bills and other US Government Securities are reported at cost and LGIP investments are reported at fair value. Investments by type at December 31, 2018 were as follows:

Type of Investment	Investments held by King County as an agent for the District	
US Treasury (T-Bills or Notes)	\$	6,192,621
Federal Agency (non-MBS)	\$	2,683,123
Corporate Notes	\$	2,442,818
WA State Treasurer's LGIP	\$	1,348,477
Other	\$	4,621,126
<i>Totals</i>	\$	17,288,165

In addition to the King County Investment Pool, the District maintains \$8,500 in petty cash accounts at Bank of America. Any funds utilized from these accounts are replenished through the voucher process.

Note 4 - Property Taxes

The King County treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. The King County Treasurer also collects the District's benefit charge. Collections are distributed daily by the county to the District.

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

The District's regular levy for the year was \$8,386,798, or approximately \$.857163 per \$1,000 on an assessed valuation of \$9,784,364,064.

The District's benefit charge levy for the year 2018 was \$5,773,189, or approximately \$.590042 per \$1,000 of the District's total assessed valuation of \$9,784,364,064. The amount assessed to each property owner may vary as the assessment formula is based on square footage and the type of property use.

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular	0.857163	\$ 9,784,364,064	\$ 8,386,798
Benefit Charge	0.590042	\$ 9,784,364,064	\$ 5,773,189

Note 5 – Debt Service Requirements

Debt Service

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, 2018. Due to the uncertainty of when these obligations will be paid, we cannot estimate our annual debt service.

Note 6 – Other Post-Employment Benefits (OPEB)

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the District as required by RCW 41.26.150. The plan pays for 100% of eligible retirees’ healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had one (1) retired member. For the year ended December 31, 2018, the District paid \$17,141 in benefits.

During the last collective bargaining session, the District’s Board of Fire Commissioners adopted Resolution 2017-23 establishing a LEOFF 2 post-retirement medical program (the “Program”). Employees meeting the established criteria for retirement are eligible to receive \$5,520 per year deposited into their HRA/VEBA account. Program benefits continue until one of the following occurs: the employee reaches age 65; the employee becomes eligible for Medicare; the employee voluntarily withdraws from the Program; or the employee dies. As of December 31, 2018 the program had six (6) participants. For the year ended December 31, 2018, the District paid \$14,438 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all District full-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: LEOFF 2, PERS 2, PERS 3.

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’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	Net Pension Liabilities	Net Pension Assets
PERS 1 UAAL	34761.99	4,466,034,000	0.00520100%	232,278	
PERS 2/3	51502.16	1,707,411,000	0.00667500%	113,970	
LEOFF 1	0	(1,815,502,000)	0.00180200%		(32,715)
LEOFF 2	385231.05	(2,030,218,000)	0.22215100%		(4,510,150)
			<i>Totals</i>	\$ 346,248	\$ (4,542,865)

LEOFF Plan 1

The District also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The District also participates in 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 8 – Risk Management

The District has an unemployment insurance risk and is self-insured through the Washington State Employment Security Department as a “reimbursable employer” meaning the District pays as claims are filed. The District budgets annually for potential unemployment claims based on strategic planning as it affects staffing and current hiring.

The District has other risks insofar as property, crime, portable equipment, automobile, general liability, and management liability. The District maintains commercial insurance coverage through VFIS, a division of Glatfelter Insurance Group. The annual premiums are included in the District’s expense budget. The District takes precautions to avoid claims (*i.e.*, driver training, security cameras, internal controls, etc.) so the expected annual claims are \$0. The District cannot predict vehicle accidents or other losses; however, deductible amounts can be paid with the District’s reserves or as an unexpected cost.

The deductibles, for those coverages with deductibles, are as follows:

Name of Insurer	Type of Risk		Deductible
VFIS, a division of Glatfelter Insurance Group	Property (Building and contents)		
	Property	\$	5,000
	Earthquake		5%
	Flood	\$	1,000
	Portable Equipment		
	Physical Loss	\$	1,000
	Automobile	\$	3,000

Note 9 - Other Disclosures

The District offered a Retirement Incentive Plan (“RIP”) in 2013 which resulted in retirement of six (6) employees. The severance pay was spread over a five-year period, ending in 2018. The balance of this liability at December 31, 2018 was \$0.

The District provides its employees with a high deductible medical plan, currently managed by Northwest Firefighters Trust. The District also provides an HRA/VEBA, administered by Rehn & Associates, to help offset employees’ out-of-pocket medical expenses.

The current CBA changed the previous HRA to an HRA/VEBA effective 1/1/18. The previous HRA, was reimbursable, meaning the District held the annual contributions in the Benefit Liability Reserve Fund and claims were paid as they were submitted. With the new HRA/VEBA, annual employer contributions are deposited into the individual employee accounts at the beginning of the calendar year. The 2018 HRA/VEBA employer contributions were set at \$2,478.40 for individual employees and \$5,478.40 for employees on a family plan. Any unused balance in the employee’s account at the end of the calendar year remains with the employee (even after s/he leaves the District) until it is fully utilized.

Funds held in the District’s Benefit Liability Reserve Fund for unused HRA balances of \$775,900.93 were transferred to the HRA/VEBA broker in early 2018 to be posted to the individual employee accounts.

Separated/retired employees at the time the HRA was converted to an HRA/VEBA were not changed over and remained on the reimbursable HRA plan; claims are paid as they are submitted. The District’s estimated liability for these reimbursable HRA benefits at December 31, 2018 was \$214,580.

Note 10 – Joint Venture

In November of 2007, Woodinville Fire & Rescue, with the cities of Bellevue, Bothell, Clyde Hill, Kirkland, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, and Shoreline Fire Department entered into an inter-local agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the inter-local agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system. Operating revenues are provided by user fees charged to each member based on average call volume. Woodinville Fire & Rescue’s share of these fees for 2018 was \$182,427. Additional financial information may be obtained from NORCOM, c/o J.R. Lieuallen, Finance Manager, P.O. Box 50911, Bellevue, WA 98015-0911.

**Woodinville Fire & Rescue
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2018	1,086,332	38,428	-	1,124,760
263.99	2013 Retirement Incentive		59,821	-	59,821	-
264.30	Pension Liability		382,672	-	35,143	347,529
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,528,825	38,428	94,964	1,472,289
Total Liabilities:			1,528,825	38,428	94,964	1,472,289

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