Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

King County Fire Protection District No. 28

For the period January 1, 2014 through December 31, 2015

Published September 29, 2016

Report No. 1017666

Washington State Auditor's Office

September 29, 2016

Board of Commissioners
King County Fire Protection District No. 28
Enumclaw, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on King County Fire Protection District No. 28's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

King County Fire Protection District No. 28
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of King County Fire Protection District No. 28 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
97.044	Assistance to Firefighters Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2015-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

King County Fire Protection District No. 28
January 1, 2015 through December 31, 2015

2015-001 The District did not have controls in place to ensure compliance with federal procurement and suspension and debarment requirements.

CFDA Number and Title:	97.044 – Assistance to Firefighters Grant
Federal Grantor Name:	Department Of Homeland Security
Federal Award/Contract Number:	EMW-2013-FV-02237
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	$0

Description of Condition

During 2015, the District spent $1,000,000 in federal funds for a ladder truck and a fire engine. When using those funds to buy goods and services from vendors, the District is required by federal regulations to competitively bid the purchases and ensure that these vendors are not suspended and debarred from federal government.

Procurement

During the audit period, the District entered into a contract for vehicle acquisition with a vendor the District considered the most reasonable in price for the purchase of a ladder truck and a fire engine. However, the District did not have adequate controls in place to ensure their method of selecting the vendor was in accordance with federal requirements. The District contacted vendors and provided specifications to obtain the best pricing option; however, the District was required to advertise and solicit sealed bids, as required by federal regulations, since the purchases were more than $100,000.

Suspension and Debarment

Federal regulations prohibit recipients from contracting with or making sub-awards to parties suspended or debarred from doing business with the federal

government. The District is required to verify that all vendors receiving $25,000 or more in federal funds have not been suspended or debarred. The District can obtain a written certification from a vendor or insert a clause into the contract where the vendor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List issued by the U.S. General Services Administration. This requirement must be met prior to entering into a contract with a vendor.

During 2015, the District paid $925,718 of federal funds to one vendor subject to suspension and debarment requirements. However, the District did not have a process in place to ensure this requirement was met on these purchases.

We consider these deficiencies in internal controls to be material weaknesses.

Cause of Condition

The District was not experienced or familiar with federal procurement and suspension and debarment requirements.

Effect of Condition and Questioned Costs

Without open competition in procuring goods and services, the District cannot demonstrate that purchases of goods and services are at the most competitive rate or ensure all qualified vendors were given the opportunity to participate in the bidding process.

In addition, without proper controls, the District increases the risk of awarding funds to vendors and subrecipients that are suspended or debarred from participating in federal programs. Any payments to an ineligible party are unallowable and would be subject to recovery by the funding agency.

Failure to comply with federal requirements may jeopardize the District's eligibility for future federal assistance.

We were able to verify that the purchases were allowable and that the vendor used was not suspended or debarred, therefore; we are not questioning costs.

Recommendation

We recommend the District:

- Establish and follow internal controls that ensure that all purchases made with federal grant proceeds are procured in accordance with federal requirements are not suspended and debarred from federal contracts.

- Ensure staff responsible for maintaining compliance with these requirements receive adequate training to effectively perform their duties.

District's Response

The District appreciates the Auditor bringing to the District's attention a technical compliance failure with regard to a federal grant provided by the Department of Homeland Security under a Federal Award EMW-2013-FV-02237. For the compliance with the Federal Procurement and Suspension and Debarment Requirements, King County Fire District #28 Commissioners passed Resolution #2014.06 in which case had the fire apparatus been purchased through the agency as set forth in Resolution 2014.06 the District would have complied with all of the requirements of the Federal Procurement and Suspension and Debarment Requirements. District researched the apparatus available through the agency as specified under Resolution #2014.06 for the apparatus as specified by the District. Simultaneously the District put out inquiries to vendors containing the specifications for the apparatus required, found apparatus that met the specifications at a lower cost than the apparatus available under the agency set forth in Resolution #2014.06. The District then acquired that apparatus that contained all the specifications at a lower cost to the District. The District did do due diligence in finding the best possible price for the apparatus for taxpayer savings, however, the District agrees that the apparatus was not purchased through the designated agency as set forth in Resolution #2014.06, therefore concurs with the Auditor there was not technical compliance with the Federal Procurement and Suspension and Debarment Requirements with regard to the Federal Grant with the Department of Homeland Security, EMW-2013-FV-0237. The District will have adequate controls in place to ensure their method of selecting a vendor will be in accordance with federal requirements. Further the District will verify that all vendors receiving $25,000.00 or more in federal funds have not been suspended or disbarred and such compliance will be required before entering into a contract with a vendor.

In conclusion we believe that our corrective actions with ensure all federal grant requirements are satisfied.

Auditor's Remarks

We reaffirm our finding. We appreciate the District's commitment to strengthening its procedures. We are committed to providing any help we can to ensure strong control systems are in place. We will follow up with the District during the next audit.

Applicable Laws and Regulations

Title 2 Code of Federal Regulation Section 200.303 Internal controls, states in part:

> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
>
> (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:
>
> > **Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:
> >
> > **Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.
> >
> > **Remote.** The chance of the future event or events occurring is slight.

> **Probable.** The future event or events are likely to occur.
>
> **Significant deficiency.** 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.

2 CFR 200.516 Audit Reporting, states in part:

> (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
>
> (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

Title 49, Code of Federal Regulations, Section 18.36 - Procurement.…(b) Procurement standards.(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . .

> (9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. …
>
> (d) Methods of procurement to be followed.
>
> (1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at $100,000). If small purchase

procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources…

(2) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. …

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids….

(4) Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

(i) Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:

(A) The item is available only from a single source;

(B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(C) The awarding agency authorizes noncompetitive proposals; or

(D) After solicitation of a number of sources, competition is determined inadequate…"

Title 2, Code of Federal Regulations, Section 180.220, states in part, Are any procurement contracts included as covered transactions?

> (b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:
>
> > (1) The contract is awarded by a participant in a non-procurement transaction that is covered under §180.210, and the amount of the contract is expected to equal or exceed $25,000 . . . .

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

> When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:
>
> > (a) Checking the EPLS;
> >
> > (b) Collecting a certification from that person; or
> >
> > (c) Adding a clause or condition to the covered transaction with that person.

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

King County Fire Protection District No. 28
January 1, 2014 through December 31, 2015

Board of Commissioners
King County Fire Protection District No. 28
Enumclaw, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of King County Fire Protection District No. 28, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 27, 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.

COMPLIANCE AND OTHER MATTERS

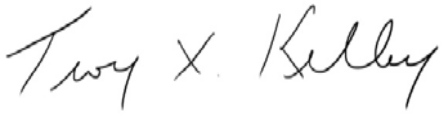
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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.



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 27, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

King County Fire Protection District No. 28
January 1, 2015 through December 31, 2015

Board of Commissioners
King County Fire Protection District No. 28
Enumclaw, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of King County Fire Protection District No. 28, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with the Uniform Guidance and witch is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as a Finding, No. 2015-001.

District's Response to Finding

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2015-001 to be a material weakness.

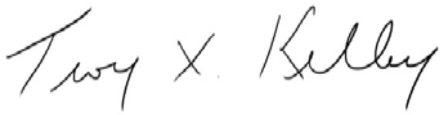
District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 27, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

King County Fire Protection District No. 28
January 1, 2014 through December 31, 2015

Board of Commissioners
King County Fire Protection District No. 28
Enumclaw, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of King County Fire Protection District No. 28, Washington, for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 24.

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, King County Fire Protection District No. 28 has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of King County Fire Protection District No. 28, for the years ended December 31, 2015 and 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of King County Fire Protection District No. 28, as of December 31, 2015 and 2014, 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

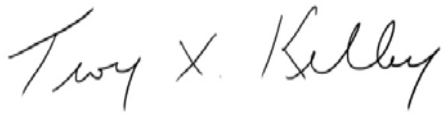
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Schedules of Liabilities are also 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 September 27, 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.



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 27, 2016

FINANCIAL SECTION

King County Fire Protection District No. 28
January 1, 2014 through December 31, 2015

FINANCIAL STATEMENTS

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King County Fire Protection District No. 28
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 General	100 Special
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	522,220	486,968	35,252
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	2,468,731	2,468,731	-
320	Licenses and Permits	10,785	10,785	-
330	Intergovernmental Revenues	1,002,341	1,002,341	-
340	Charges for Goods and Services	393,966	393,966	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	47,501	47,290	211
Total Operating Revenues:		3,923,324	3,923,113	211
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	2,757,592	2,755,615	1,977
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		2,757,592	2,755,615	1,977
Net Operating Increase (Decrease):		1,165,732	1,167,498	(1,766)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	2,286	2,286	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		2,286	2,286	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	-	-
594-595	Capital Expenditures	1,125,573	1,125,573	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		1,125,573	1,125,573	-
Net Increase (Decrease) in Cash and Investments:		**42,445**	**44,211**	**(1,766)**
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	564,666	531,179	33,487
Total Ending Cash and Investments		**564,666**	**531,179**	**33,487**

The accompanying notes are an integral part of this statement.

King County Fire Protection District No. 28
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 General	100 Special
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	620,076	580,948	39,128
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	2,431,973	2,431,973	-
320	Licenses and Permits	18,035	18,035	-
330	Intergovernmental Revenues	1,473	1,473	-
340	Charges for Goods and Services	403,151	403,151	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	40,148	39,943	205
Total Operating Revenues:		2,894,780	2,894,575	205
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	2,926,601	2,922,522	4,079
Total Operating Expenditures:		2,926,601	2,922,522	4,079
Net Operating Increase (Decrease):		(31,821)	(27,947)	(3,874)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	1,245	1,245	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		1,245	1,245	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	-	-
594-595	Capital Expenditures	67,278	67,278	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		67,278	67,278	-
Net Increase (Decrease) in Cash and Investments:		**(97,854)**	**(93,980)**	**(3,874)**
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	522,220	486,968	35,252
Total Ending Cash and Investments		**522,220**	**486,968**	**35,252**

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The King County Fire Protection District #28 was incorporated in 1946 and operates under the laws of the state of Washington applicable to fire districts. The District is a special purpose local government and provides fire protection and emergency 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:

o Financial transactions are recognized on a cash basis of accounting as described below.
o Component units are required to be disclosed, but are not included in the financial statements.
o Government-wide statements, as defined in GAAP, are not presented.
o All funds are presented, rather than a focus on major funds.
o The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
o Supplementary information required by GAAP is not presented.
o 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 (100280010)
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 Rescue Fund (Special Revenue Fund) (100286030)
These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

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. Budgets
The District adopts annual appropriated budgets for General and Special Rescue 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 Name	Appropriated Expenditures	Actual Expenditures	Variance

General Fund	$4,239,597.00	$3,881,189.77	$358,407.23
Special Rescue Fund	$35,252.31	$1,977.24	$33,275.07
Totals	$4,274,849.31	$3,883,167.01	$391,682.30

Any revisions that alter the appropriated 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 Board of Commissioners. There were no budget amendments made during the 2015 fiscal year. Out of class wages were over budget due to one Captain covering as acting Chief for five months of the year. Personnel changes in 2015 included a new Fire Chief, retirement of the District Secretary/Office Manager, hiring of a Training Officer, and the retirement of a Captain. All vacated positions were filled.

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 $5,000 and an estimated useful life in excess of 1 year. Two pieces of apparatus were purchased in 2015, the District received a federal grant from FEMA for $1,000,000 towards purchasing these pieces of equipment and the District was required to contribute $50,000 in matching funds. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences
Vacation pay is in accordance with employment and union contracts and is payable upon separation or retirement. Union and contract employees may cash out up to 60 hours of vacation annually in November, if so desired. Vacation hours for union and contract employees may be accumulated up to 500 hours. The District's liability for vacation pay benefits on December 31, 2015, was $175,748.82. Payments are recognized as expenditures when paid.

Sick hours may be accumulated up to 1352 hours for union employees and 1056 hours for contract employees. Upon separation or retirement employees receive payment for unused sick leave at the rate of .50 on the dollar; union employees must have 8 years of service at the time of separation to receive payout of accrued sick leave. The District's liability for unused sick leave on December 31, 2015, was $124,891.26. Payments are recognized as expenditures when paid.

Compensatory hours may be accumulated up to 90 hours for union employees and 160 hours for contract employees and is payable upon separation or retirement. Employees have the option to cash out compensatory hours each November. The District's liability for unused compensatory hours on December 31, 2015, was $3,679.88. Payments are recognized as expenditures when paid.

G. Long-Term Debt
See Note 4, Debt Service Requirements.

H. Other Financing Sources or Uses
The government's Other Financing Sources or Uses consist of two refunds from the IRS ($1,686) and two damage deposits ($600) from Volunteer residents living at Station 42, these are classified as non-revenues and refunds.

I. Risk Management
The King County Fire District #28 is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was

formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2015, there are 210 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of $25,000. The standard member deductible is $1,000 for each claim (deductible may vary per member), while the program is responsible for the $100,000 self-insured retention. Insurance carriers cover insured losses over $101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $2,140,107.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is $15,000 and is covered by the CIAW.
Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.
The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2015, were $627,702.49. Financial Statements for CIAW can be requested from info@ciaw.us.

The King County Fire District #28 is a member of the LEOFF Trust. Established in 1986, the Law Enforcement Officers and Firefighters Health and Welfare Trust provides medical and vision health insurance for both LEOFF I and LEOFF II active and retired members who fall under the LEOFF Pension System, along with their dependents. The LEOFF Trust provides medical benefits through self-funding with reinsurance for specific stop-loss and aggregate loss protection. The LEOFF Trust is an independent legal entity not governed by any other group or organization. Dental insurance is provided by Delta Dental of Washington.

The King County Fire Protection District #28 self-insures Unemployment Compensation through Employment Security Department as a reimbursable business classification. In 2015, King County Fire District #28 paid out a total amount of $11,530.35 for two individuals.

The accompanying Risk Management Schedule (21) provides additional details.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners for King County Fire District #28. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

There are currently no reservations of Ending Cash and Investments in the General Fund.

NOTE 2 - DEPOSITS & INVESTMENTS
The King County Treasurer performs all investment activities for the District and holds all investment details. As of December 31, 2015 $564,665 is held by the King County Treasurer for King County Fire District #28.

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.

NOTE 3 - PROPERTY TAX
The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed throughout each month.

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

The District regular levy for the year 2014 for collection in 2015 was $1.09755 per $1,000 on an assessed valuation of $1,970,950,711 for a total regular levy of $2,163,221.

In 2015, the District had no additional amount levied.

NOTE 4 - 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 2015. The debt service requirements are as follows for property purchased in 2011:

Principal	Interest	Total	
2015	$61,972.36	$5,305.76	$67,278.12
2016	$54,553.82	$1,511.45	$56,065.27
Totals	$116,526.18	$6,817.21	$123,343.39

NOTE 5 - PENSION PLANS
Substantially all King County Fire District #28's 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: LEOFF 2 & PERS 2. 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.

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, 2015 the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Allocation	Liability/(Asset)		
	PERS 1 UAAL	0.000936%	$48,962
	PERS 2/3	0.001210%	$43,234
	LEOFF 1		
	LEOFF 2	0.048292%	($496,345)
	VFFRPF		

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 LEOFF 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. King County Fire District #28 joined the South King County Training Consortium to fulfill staff training requirements in 4th quarter of 2015.
B. King County Fire District #28 was awarded a FEMA grant in the amount of $1,000,000 to assist with the replacement cost of two apparatuses, a fire engine pumper truck and a fire engine ladder truck. The District was responsible to provide matching funds of $50,000 towards the equipment purchases in 2015.
C. In September of 2015, the Board approved to buyout the remaining contract of the District Secretary for $75,000. The agreement is for payment to occur in January of 2016.

Draft as of 09/26/2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
King County Fire District #28 was incorporated in 1946 and operates under the laws of the state of Washington applicable to fire districts. The District is a special purpose local government and provides fire and emergency 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. 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.

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. Budgets
The District adopts annual appropriated budgets for Expense and Special Rescue 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 Name	Appropriated Expenditures	Actual Expenditures	Variance
Expense/Special Rescue	2,825,392.00	2,969,650.00	-144,258.00
Totals	2,825,392.00	2,969,650.00	-144,258.00

Any revisions that alter the appropriated 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 Board of Commissioners. One chief

resigned with settlement for salary continuation for for four months and vacation hours pay-out, as well as sick hour balance at .50 on the dollar. An interim chief was hired so payiing two chiefs.

D. Cash and Investments
See Note 3, Deposits and Investments.

E. Capital Assets
Capital assets are assets with an initial individual cost of more than $5000.00 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences
Vacation pay is in accordance with employment and union contracts and is payable upon separation or retirement. Employees may also cash out up to 60 hours of vacation annually in November, if so desired. Vacation hours for union employees may be accumulated up to 500 hours and is payable upon separation or retirement. Vacation hours for contract employees may be accumulated up to 500 hours and is payable on separation or retirement. Contract employees may also cash out up to 60 hours of vacation annually in in November, if so desired. The District's liability for vacation pay benefits on December 31, 2014, was $168,410.

Sick hours may be accumulated up to 1352 hours for union employes and 1120 hours for contract employees. Upon separation or retirement employees receive payment for unused sick leave at the rate of.50 on the dollar. The District's liability for unused sick leave on December 31, 2014, was $163,941.

G. Long-Term Debt
See Note 4, Debt Service Requirements.

H. Other Financing Sources or Uses
The government's Other Financing Sources or Uses consist of refunds for an overpayment to vendors, cancelled warrants, and reimbursements for overpayment of rent and special rescue insurance.

I. Risk Management
The King County Fire District #28 is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2014, there are 223 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of $100,000. The standard member deductible is $1,000 for each claim (deductible may vary per member), while the program is responsible for the $100,000 self-insured retention. Insurance carriers cover insured losses over $101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an

attachment point of $3,259,396, to cap the total claims paid by the program in any one policy term.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible. Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member with the exception of Pumps & Motors which is $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is $15,000 and is covered by the CIAW. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-15 policy term. An endorsement was added to the 2013-14 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014, were $1,817,654.59.

J. Reserved Portion of Ending Cash and Investments
N/A

NOTE 2 - PROPERTY TAX
The county treasurer acts as an agent to collect property taxes 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 the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The District regular levy for the year 2013 for collection in 2014 was $1.20561 per $1,000 on an assessed valuation of $1,778.198,797.00 for a total regular levy of $2,143,821.00.

NOTE 3 - DEPOSITS & INVESTMENTS
The King County Treasurer performs all investment activities for the District and holds all investment details.
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.

As of December 31, 2014 King County Fire District #28 has $522,220 being held by King County Treasurer.

NOTE 4 - DEBT SERVICE REQUIREMENTS
The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2014.

The debt service requirements, including interest, are as follows:

	Other Debt (Property Purchase)	Total Debt
2014	67,278.12	123,363.39
2015	67,278.12	56,065.27
2016	56,065.27	0
Totals	190,621.51	0

NOTE 5 - PENSION PLANS
Substantially all of KCFD #28 full-time and qualifying part-time employees participate in Plan 2 of LEOFF retirement system or Plan 2 of PERS retirement plan 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

NOTE 6 - OTHER DISCLOSURES
Over budget due to the following circumstances:
One chief resigned with settlement agreement for salary continuance for 4 months, plus pay-out of remaining vacation hours and one-half of remaining sick hours. Interim chief was hired so paying two chiefs at the same time.

King County Fire Protection District No. 28
Schedule of Liabilities
For the Year Ended December 31, 2015

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Time	12/31/2015	2,933	2,885	2,139	3,680
259.12	Sick Leave	12/31/2015	163,942	28,475	67,526	124,891
259.12	Vacation Leave	12/31/2015	168,411	48,227	40,889	175,749
263.62	Property Purchase	11/1/2016	116,526	-	61,972	54,554
264.30	Pension Liability		-	92,195	-	92,195
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**451,812**	**171,783**	**172,526**	**451,069**
		Total Liabilities:	**451,812**	**171,783**	**172,526**	**451,069**

ID Number Description	Issue Date Maturity/Payment Date	Beginning Balance	Additions	Reductions	Ending Balance	BARS Code for Redemptions of Debt Only
259.11 Comp time	01/01/2014 12/31/2014	1,458	11,128	9,653	2,933	259.11.
259.11 Sick Leave	01/01/2014 12/31/2014	130,272	90,016	56,347	163,941	259.11.
259.11 Vacation Pay	01/01/2014 12/31/2014	163,511	82,691	77,792	168,410	259.11.
263.61 Property Purchase	12/01/2011 11/01/2016	174,898		58,372	116,526	591.23.70
	Totals	470,141	183,836	202,165	451,812	

King County Fire Protection District No. 28
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2013-FV-02237	-	1,000,000	1,000,000	-	6B
		Total Federal Awards Expended:		**-**	**1,000,000**	**1,000,000**	**-**	

The accompanying notes are an integral part of this schedule.

King County Fire Protection District #28

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the King County Fire Protection District #28 financial statements. The King County Fire Protection District #28 uses 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.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the King County Fire Protection District #28 portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 7 – Indirect Cost Rate

There were no indirect costs allocations associated with the FEMA Assistance to Firefighters Grant program revenues of $1,000,000 from the Department of Homeland Security in the fiscal year 2015.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

King County Fire Protection District No. 28
January 1, 2015 through December 31, 2015

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The information in this schedule is the representation of the King County Fire Protection District No. 28.

Finding ref number:	**Finding caption:**
2015-001	The District did not have controls in place to ensure compliance with federal procurement and suspension and debarment requirements.

Name, address, and telephone of auditee contact person:

Randy Fehr, Fire Chief/Executive

1330 Wells Street

Enumclaw, WA 98022

(360) 615-5754

Corrective action the auditee plans to take in response to the finding:

The District is establishing an internal control process to effectively manage the flow of documents pertaining to federal grants and expenditure of federal funds. The District will have adequate controls in place to ensure their method of selecting a vendor will be in accordance with federal requirements. Documentation will include a grant checklist that assigns responsibility for accomplishment of each grant requirement and will also include a checklist assigning responsibility for each step of the procurement process for identifying qualified contractors/vendors, pre-award screening before a procurement is placed, determination of the appropriate procurement method, and documentation of the basis for each decision made in the procurement process.

Further the District will verify that all vendors receiving $25,000.00 or more of federal funds have not been suspended or disbarred and such compliance will be required before entering into a contract. We will require all contractors and vendors to certify that they have not been debarred from participation in federally funded procurements and we shall independently verify such certifications.

Anticipated date to complete the corrective action: 12/1/2016

ABOUT THE STATE AUDITOR'S OFFICE

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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.

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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