

Washington State Audit Report

**Lake Stevens Fire
2009 - 2010**

Accountability Audit Report

Financial Statements Audit Report

Audit Exit Conference Summary

PRELIMINARY DRAFT

- Not Disclosable Under RCW 42.56.280

Washington State Auditor's Office
Accountability Audit Report

Lake Stevens Fire District
Snohomish County

Report Date
November, 17, 2011

Report No.

Issue Date

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WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

Issue Date – (Issued by OS)

Board of Commissioners
Lake Stevens Fire District
Lake Stevens, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Lake Stevens Fire District's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**BRIAN SONNTAG, CGFM
STATE AUDITOR**

- Not Disclosable Under RCW 42.56.280

PRELIMINARY DRAFT

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Snohomish County
November 17, 2011

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Audit Summary

Lake Stevens Fire District
Snohomish County
November 17, 2011

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Lake Stevens Fire District from January 1, 2009 through December 31, 2010.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

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

- Cash receipting
- Petty cash/imprest funds
- General disbursements
- Property acquisition

RESULTS

In the areas we examined, the District's internal controls were adequate to safeguard public assets. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

Lake Stevens Fire District
Snohomish County
November 17, 2011

FINANCIAL

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements.

Description of the District

Lake Stevens Fire District
Snohomish County
November 17, 2011

ABOUT THE DISTRICT

The Lake Stevens Fire District provides fire prevention, suppression and emergency medical services to approximately 38,000 citizens in Snohomish County. The District's 46 square-mile service area includes Lake Stevens and East Everett. The District also provides paramedic services to five neighboring fire districts.

An elected, three-member Board of Commissioners governs the District. The Board appoints a Fire Chief to oversee the District's daily operations as well as its approximately 50 full-time and 25 part-time employees. For fiscal years 2009 and 2010, the District operated on budgets of approximately \$12.7 million and \$9.9 million, respectively.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Commissioners: Troy Elmore
Dan Lorentzen
Vern Foster

APPOINTED OFFICIALS

Fire Chief Gary Faucett (through September 2010)
Dave Lingenfelter (began September 2010)

DISTRICT CONTACT INFORMATION

Address: Lake Stevens Fire District
1825 S. Lake Stevens Road
Lake Stevens, WA 98258
Phone: (425) 334-3034
Website: www.lakestevensfire.org

AUDIT HISTORY

We audit the District every two years. We reported one finding during the 2005-2006 audits. This finding has been resolved.



Washington State Auditor's Office
Financial Statements Audit Report

Lake Stevens Fire District
Snohomish County

Audit Period
January 1, 2009 through December 31, 2010

Report No.

Issue Date

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WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

PRELIMINARY DRAFT

- Not Disclosable Under RCW 42.56.280



**Washington State Auditor
Brian Sonntag**

Issue Date – (Issued by OS)

Board of Commissioners
Lake Stevens Fire District
Lake Stevens, Washington

Report on Financial Statements

Please find attached our report on Lake Stevens Fire District's financial statements.

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

Sincerely,
Signature Here (Please do not remove this line)
BRIAN SONNTAG, CGFM
STATE AUDITOR

PRELIMINARY DRAFT - Not Disclosable Under RCW 42.56.280

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Snohomish County
January 1, 2009 through December 31, 2010

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

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Lake Stevens Fire District
Snohomish County
January 1, 2009 through December 31, 2010

Board of Commissioners
Lake Stevens Fire District
Lake Stevens, Washington

We have audited the financial statements of Lake Stevens Fire District, Snohomish County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 17, 2011.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended for the information and use of management and the Board of Commissioners. 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.

Signature Here (Please do not remove this line)
BRIAN SONNTAG, CGFM
STATE AUDITOR

November 17, 2011

Independent Auditor's Report on Financial Statements

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Lake Stevens Fire District
Snohomish County
January 1, 2009 through December 31, 2010

Board of Commissioners
Lake Stevens Fire District
Lake Stevens, Washington

We have audited the accompanying financial statements of Lake Stevens Fire District, Snohomish County, Washington, for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Lake Stevens Fire District, for the years ended December 31, 2010 and 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

PRELIMINARY DRAFT

- Not Disclosable Under RCW 42.56.200

Signature Here (Please do not remove this line)
BRIAN SONNTAG, CGFM
STATE AUDITOR

November 17, 2011

Financial Section

Lake Stevens Fire District
Snohomish County
January 1, 2009 through December 31, 2010

FINANCIAL STATEMENTS

Resources and Uses Arising from Cash Transactions – 2010 and 2009
Notes to Financial Statements – 2010 and 2009



Lake Stevens Fire Exit Conference February 3, 2012

**Washington
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Meeting Agenda

The purpose of our exit conference is to share the results of our independent audit and to provide a forum for open discussion. We are pleased to review our draft reports and discuss other topics as listed below with you.

- Accountability audit report
- Financial statement audit report and other required communications
- Recommendations not included in our audit reports
- Status of prior audit recommendations
- Report publication
- Your next scheduled audit
- Customer service survey

Preliminary audit results and recommendations were shared in detail with District management and personnel as they were developed during the audit. We would like to thank staff for their cooperation and timely response to our requests during the audit.

We take seriously our responsibility of serving citizens by promoting accountability, fiscal integrity and openness in state and local government. We believe it is critical to citizens and the mission of the District that we work together as partners in accountability to prevent problems and constructively resolve issues. As such, we encourage your comments and questions.

Accountability Audit

Report

Our draft accountability report summarizes the results of our risk-based audit work related to safeguarding of public resources and legal compliance. The report does not include any findings.

Financial Statement Audit

Other Required Communications

Professional auditing standards require us to communicate the following information to the Governing Body:

- There were no significant difficulties encountered or disagreements with entity management during the audit.
- There were no material misstatements in the financial statements corrected by management during the audit.
- There were no uncorrected misstatements in the audited financial statements.

Report

Our draft financial statement report includes our opinion on the District's financial statements. It also includes our report on internal control over financial reporting and on noncompliance and other matters as required by *Government Auditing Standards*.

An unqualified opinion will be issued on the financial statements, which means that we believe they are presented fairly, in all material respects.

We did not identify deficiencies in internal control over financial reporting that are required to be included in our report.

No instances of noncompliance were identified that could have a direct and material effect on the determination of financial statement amounts.

Recommendations not included in the Audit Reports

Exit Items

We have provided the following exit recommendation for management's consideration. It is not referenced in the audit report.

Cash receipting

We reviewed the District's internal controls over cash receipting and found that the District is not making daily deposits. The District currently makes one deposit a week and does not have an approved exception from the Treasurer. We also found that there was no review over the sequential order of receipts and no person independent of the cash receipting system

reconciling receipts with deposits to make sure all moneys collected were deposited intact. The District does not document when a check was received, only the date noted on the check. Therefore, we were unable to determine if receipts were issued in sequential order.

We recommend the District:

- Make daily deposits in accordance with RCW 43.09.240 or obtain a waiver from the County Treasurer.
- Ensure that receipts are issued in sequential order.
- Have an independent person reconcile receipts with deposits to ensure that all receipts are accounted for.

Status of Prior Audit Recommendations

Prior Exit Items	Resolved	Unresolved
Open Public Meetings Act	X	
Cell Phones	X	
Financial Statement Preparation	X	
Petty Cash	X	
Ambulance Billing	X	

Concluding Comments

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: www.sao.wa.gov/EN/News/Subscriptions

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in 2013 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement

The estimated cost for the next audit based on the current billing rate is \$9,500 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are \$500,000 or more in any fiscal year, notify our Office so we can schedule your audit to meet federal single audit requirements. Federal awards can include grants, loans, and non-cash assistance such as equipment and supplies.

Customer Service Survey

An invitation to complete a customer service survey will be emailed to Leah Schoof, Administrative Director. Your feedback is important to our commitment to continually develop and improve our audit process.

Please don't hesitate to contact our Office throughout the year when you have questions. Our website also offers many resources, including a client HelpDesk for your auditing and accounting questions.