



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

## Thurston County Fire Protection District No. 3

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

Published August 3, 2015

Report No. 1014763





## Washington State Auditor's Office

August 3, 2015

Board of Commissioners  
Thurston County Fire Protection District No. 3  
Lacey, Washington

### Report on Financial Statements and Federal Single Audit

Please find attached our report on Thurston County Fire Protection District No. 3'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,

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

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## FEDERAL SUMMARY

### **Thurston County Fire Protection District No. 3 January 1, 2014 through December 31, 2014**

The results of our audit of Thurston County Fire Protection District No. 3 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

#### **Financial Statements**

An unmodified opinion was issued on the financial statements.

##### **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 no 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 no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

## Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

**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**

**Thurston County Fire Protection District No. 3  
January 1, 2014 through December 31, 2014**

Board of Commissioners  
Thurston County Fire Protection District No. 3  
Lacey, 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 Thurston County Fire Protection District No. 3, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated July 28, 2015.

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 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated July 28, 2015.

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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



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

July 28, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**Thurston County Fire Protection District No. 3  
January 1, 2014 through December 31, 2014**

Board of Commissioners  
Thurston County Fire Protection District No. 3  
Lacey, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of Thurston County Fire Protection District No. 3, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

## **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 OMB Circular A-133, 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 OMB Circular A-133. 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.



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

July 28, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Thurston County Fire Protection District No. 3 January 1, 2014 through December 31, 2014**

Board of Commissioners  
Thurston County Fire Protection District No. 3  
Lacey, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Thurston County Fire Protection District No. 3, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 15.

#### **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 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, Thurston County Fire Protection District No. 3 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 Thurston County Fire Protection District No. 3, for the year ended December 31, 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 Thurston County Fire Protection District No. 3, as of December 31, 2014, or the changes in financial position or cash flows 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is 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 July 28, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

July 28, 2015

## **FINANCIAL SECTION**

### **Thurston County Fire Protection District No. 3 January 1, 2014 through December 31, 2014**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2014  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014  
Notes to Financial Statements – 2014

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014

**Thurston County Fire Protection District No. 3**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

	Total for All Funds				201 Bond Fund	301 Capital Projects Fund	305 Capital Projects - Bond Sale
	(Memo Only)				001 General Fund		
<b>Beginning Cash and Investments</b>							
30810 Reserved	295,053	19,565	60,500				214,988
30880 Unreserved	2,573,636	2,141,046	-			432,590	-
388 & 588 Prior Period Adjustments, Net	-	-	-			-	-
<b>Operating Revenues</b>							
310 Taxes	11,218,554	10,756,568	461,986				-
320 Licenses and Permits	-	-	-				-
330 Intergovernmental Revenues	1,203,485	1,203,485	-				-
340 Charges for Goods and Services	3,594,809	3,591,850	-			2,959	-
350 Fines and Penalties	-	-	-				-
360 Miscellaneous Revenues	82,913	79,662	1,133			1,131	987
Total Operating Revenues:	16,099,761	15,631,565	463,119			4,090	987
<b>Operating Expenditures</b>							
510 General Government	-	-	-				-
520 Public Safety	15,081,671	15,081,671	-				-
Total Operating Expenditures:	15,081,671	15,081,671	-				-
<b>Net Operating Increase (Decrease):</b>	<b>1,018,090</b>	<b>549,894</b>	<b>463,119</b>			<b>4,090</b>	<b>987</b>
<b>Nonoperating Revenues</b>							
370-380, 395 & 398 Other Financing Sources	207,086	147,686	-			59,400	-
391-393 Debt Proceeds	-	-	-			-	-
397 Transfers-In	205,000	-	90,000			115,000	-
Total Nonoperating Revenues:	412,086	147,686	90,000			174,400	-
<b>Nonoperating Expenditures</b>							
580, 596 & 599 Other Financing Uses	5,809	5,809	-			-	-
591-593 Debt Service	551,245	-	551,245			-	-
594-595 Capital Expenditures	762,874	123,351	-			438,503	201,020
597 Transfers-Out	205,000	205,000	-			-	-
Total Nonoperating Expenditures:	1,524,928	334,160	551,245			438,503	201,020
<b>Net Increase (Decrease) in Cash and Investments:</b>	<b>(94,752)</b>	<b>363,420</b>	<b>1,874</b>			<b>(260,013)</b>	<b>(200,033)</b>
<b>Ending Cash and Investments</b>							
50810 Reserved	102,985	25,656	62,374			-	14,955
50880 Unreserved	2,670,952	2,498,375	-			172,577	-

The accompanying notes are an integral part of this statement.



**THURSTON COUNTY FIRE PROTECTION DISTRICT THREE – MCAG #1346**

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2014**

**Note 1 - Summary of Significant Accounting Policies**

Thurston County Fire Protection District Number Three (hereinafter referred to as “The District”) was incorporated in 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 and emergency medical services to the general public and is supported primarily through property taxes.

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 District’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.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

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

B. Basis of Accounting and Measurement Focus

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

C. Budgets

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department 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 2014 appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Support Svs Department	\$1,663,562	\$1,253,632	\$409,930
Operations Department	\$14,190,824	\$13,648,940	\$541,884
Executive Department	\$277,775	\$249,648	\$28,127
Inter-Fund Transfers	\$205,000	\$205,000	\$0
Total General Fund	\$16,337,161	\$15,357,220	\$979,941
Donations Fund	\$23,446	\$3,664	\$19,782
Reserve Fund	\$245,000	\$1,600	\$243,400
Eqpm Repair/Repl Fund	\$60,000	\$49,136	\$10,864
Bond Fund	\$551,340	\$551,245	\$95
Capital Projects Fund	\$479,503	\$438,503	\$41,000
Capitol Proj. 2012 Fund	\$215,000	\$201,020	\$13,980

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

D. Cash and Investments

It is The District's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds based on the individual fund balances.

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 one year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,440 hours and may be used for paid time off for any FMLA designated purpose. Upon resignation or layoff, employees with five (5) or more years of service shall be paid a total of fifteen percent (15%) of the employee's sick leave balance at separation or the average end-of-calendar-year sick leave balance for the most recent three (3) full years, whichever is lower. Upon retirement or the award of a duty disability pension, employees with five (5) or more years of service shall be paid a total of fifty percent (50%) of the employee's sick leave balance at separation or the average end-of-calendar-year sick leave balance for the most recent three (3) full years, whichever total is lower. In the event of a line-of-duty death, the designated beneficiary will receive one hundred percent (100%) of the employee's sick leave balance at the time of death.

Employees eligible for retirement or awarded a duty disability pension with twenty (20) or more years of service shall be paid a total of seventy-five (75%) of the employee's sick leave balance or the cash value equivalent of four hundred and fifty Dollars (\$450.00) per month for every month up to the age of sixty-five (65). Employees may request member-to-member shared leave and notification and payment shall be made as follows:

- Employees must declare their intent and anticipated date to retire or receive a disability pension prior to March 31, 2014.
- Employees must separate from employment on or before March 31, 2015.
- Payment for retirees or duty disability pensions will be made in three (3) installments over a three (3) year period; one-third (1/3) at separation, one-third (1/3) mid-year of the second year, and one-third (1/3) mid-year of the third year.

All sick leave cash outs will be allocated into the employee's Employer adopted, HRA VEBA medical expense reimbursement plan. All 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:

Fund	Description	Amount
001 – General	386 - Sales Tax Collected	\$119
001 – General	389 - Expense Reimb – General	\$32,901
001 – General	395 - Sale of Fixed Assets	\$6,600
001 – General	395 - Insurance Recovery	\$11,306
301 – Capital Project	395 – Sale of Capital Assets	\$59,400

## I. Risk Management

The District maintains insurance against most normal hazards except for unemployment insurance where it is self-insured. All unemployment claims are processed and paid by the Washington State Employment Security Department, which then bills The District for reimbursement.

WFOA Health Care Program – The District is a member of the Washington Fire Commissioners Association Health Care Program (“The Trust”). The Trust is funded by member organization premiums deposited into the Insurance Rate Stabilization Reserve Account (IRSRA). The IRSRA was created by WFOA Board of Directors Resolution 12-80(b) in 1999 to improve and facilitate the provision of medical and dental insurance for member fire service organization employees and their families. The self-insurance risk pool complies with the requirements of Chapter 48.62 RCW (Local Government Insurance Transactions), Chapter 200-110 WAC (Local Government Self-Insurance Health and Welfare Program Requirements) and Chapter 30.34 RCW (Interlocal Cooperation Act).

The District is a signatory to the WFOA Health Care Program Interlocal Agreement specifying the responsibilities of participating member organizations and the WFOA Health Care Program. The WFOA Health Care Program provides access to self-insured and insured medical plans, dental plans and life insurance coverage. The fire service organizations’ financial exposure is limited to monthly premium contributions made to the IRSRA for the purchase of medical, dental and life insurance coverage. The WFOA Health Care Program maintains stop loss insurance and has funding reserves that meet and exceed state solvency requirements.

The operations of the WFOA Health Care Program are overseen by a five-member Health Care Committee appointed by the Board of Directors. The Health Care Committee reviews and analyzes the operational needs, benefit and rate changes and makes recommendations to the Board of Directors. Final decisions are made by the WFOA Board of Directors.

AWC Employee Benefits Trust - The District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance

through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

#### 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 Fire Commissioners. When expenditures that meet restrictions are incurred, The District intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the entire balance of the Bond Debt Fund (201) and the Capital Projects 2012 Fund (305) and portions of the Donations Fund (101) which have been specifically marked for designated purposes.

## **Note 2 - Property Tax**

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

Property tax revenues are recognized when cash is received by The 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 2014 was \$1.39353 per \$1,000 on an assessed valuation of \$7,753,806,610 for a total regular levy of \$10,805,162.

The District's bond debt levy for the year 2014 was \$0.13346 per \$1,000 on an assessed valuation of \$3,461,195,736 for a total additional levy of \$461,940.

## **Note 3 – Deposits and Investments**

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

All investments are insured, registered or held by the Thurston County Investment Pool (TCIP) as it's agent in The District's name.

Investments are reported at fair market value. Investments by type at December 31, 2014 are as follows:

Thurston County Investment Pool	\$2,768,649
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## **Note 4 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of The District and summarizes The District's debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, revenue bonds and other debts, including both principal and interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2014 compensated absences			\$1,495,115.06	\$1,495,115.06
2015	\$549,842.50			\$549,842.50
2016	\$552,602.50			\$552,602.50
2017	\$554,675.00			\$554,675.00
2018	\$555,672.50			\$555,672.50
2019	\$550,747.50			\$550,747.50
2020-2024	\$906,917.50			\$906,917.50
2025-2029	\$439,475.00			\$439,475.00
2030-2031	\$178,925.00			\$178,925.00
Totals	\$4,288,857.50		\$ 1,495,115.06	\$5,783,972.56

### **Note 5 - Pension Plans**

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

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

### **Note 6 – Contingencies and Litigation**

In the opinion of management, The District insurance policies are adequate to pay all known or pending claims.

The District participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowance, if any, will be immaterial.

### **Note 7 - Other Disclosures**

In April of 2010, the voters in the Fire District and the City of Lacey approved two separate measures to annex the City of Lacey into the Fire District for fire protection purposes. This annexation resulted in the termination of the fire protection contract between the City of Lacey and the Fire District as well as a corresponding increase in the assessed valuation of the Fire District.

In August of 2012, the Board of Fire Commissioners approved Resolution No. 826-08-12, authorizing the issuance of \$1,150,000 in Unlimited Tax General Obligation Refunding Bonds, to provide money with which to pay the cost of refunding Unlimited Tax General Obligation Bonds originally issued in 2001.

At the same time, the Board of Fire Commissioners also approved Resolution Number 827-08-12, authorizing the issuance of \$1,305,000 in Limited Tax General Obligation Bonds, for the purpose of paying the costs of acquiring fire fighting and emergency medical service equipment and vehicles, modernizing existing fire stations, and making other capital improvements. This LTGO Bond will be paid from the general operating fund.

In 2012 The District was notified of a Federal SAFER Grant award for hiring twelve career firefighters. No expenditures or revenue occurred in 2012; in March of 2013, the District hired twelve career firefighters under that Grant award; the first (partial) year of expenditures and associated revenue from this grant are reflected in the 2013 annual report. The first full year of expenditures and associated revenue from this grant are reflected in the 2014 annual report.



On July 24, 2013 the City of Olympia annexed 8.69 acres and adjacent street rights-of-way located at 1412 Boulevard Road SE, lying contiguous to Olympia City limits and within the Olympia Urban Growth Area. This annexation resulted in the City of Olympia taking on primary responsibility for fire and emergency medical response to the properties being annexed, as well as a corresponding decrease in the assessed valuation of the Fire District.

On June 20, 2014, the City of Olympia annexed approximately 205 acres along the I-5 corridor within the Olympia Urban Growth Area. This annexation resulted in the City of Olympia taking on primary responsibility for fire and emergency medical response to the properties being annexed, as well as a corresponding decrease in the assessed valuation of the Fire District.

In August of 2014, the voters in the Fire District approved a measure authorizing the levy of regular property taxes in excess of the limitations of Chapter 84.55 RCW for specified purposes, including fire protection, prevention and emergency medical services in the District. In 2014, the regular property tax rate was \$1.3939. This “levy lid lift” measure authorized an increase in the levy rate up to the \$1.50 per \$1,000 of assessed value for collection in 2015. This measure further authorized an exception from the one percent (1%) annual increase in levy rate up to a six percent (6%) annual increase in the levy rate for up to six years.

In 2014 an internal audit of the Donations fund was conducted; as a result of that audit, a change in the presentation of reserved versus unreserved ending cash was made.



**Thurston County Fire Protection District No. 3**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2014**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligations</b>						
251.12	UTGO Bond 2005	12/31/2025	1,920,000	-	245,000	1,675,000
251.12	UTGO Bond 2012	8/31/2032	935,000	-	125,000	810,000
251.11	LTGO Bond 2012	8/31/2032	1,195,000	-	55,000	1,140,000
	<b>Total General Obligations:</b>		<b>4,050,000</b>	<b>-</b>	<b>425,000</b>	<b>3,625,000</b>
<b>Revenue Obligations</b>						
259.12	Compensated absences		720,691	774,424	-	1,495,115
	<b>Total Revenue Obligations:</b>		<b>720,691</b>	<b>774,424</b>	<b>-</b>	<b>1,495,115</b>
	<b>Total Liabilities:</b>		<b>4,770,691</b>	<b>774,424</b>	<b>425,000</b>	<b>5,120,115</b>

**Thurston County Fire Protection District No. 3  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2014**

	Federal Agency (Pass-Through Agency) Other Programs	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
					From Pass- Through Awards	From Direct Awards	Total	
	Department Of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH- 00366	-	1,089,216	1,089,216	
	Department Of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FF- 00391	-	144,206	144,206	
				<b>Total CFDA 97.083:</b>	-	<b>1,233,422</b>	<b>1,233,422</b>	
				<b>Total Federal Awards Expended:</b>	-	<b>1,233,422</b>	<b>1,233,422</b>	

THURSTON COUNTY FIRE PROTECTION DISTRICT NUMBER THREE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

**NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as The District's financial statements. The District reports financial activity using the revenue and expenditure classifications statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting* System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

**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 District's portion, are more than shown.

## 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	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>