



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Pierce County Fire Protection District
No. 18

For the period January 1, 2016 through December 31, 2017

Published November 15, 2018

Report No. 1022546





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

November 15, 2018

Board of Commissioners
Pierce County Fire Protection District No. 18
Orting, Washington

Report on Financial Statements

Please find attached our report on Pierce County Fire Protection District No. 18's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	10
About the State Auditor's Office.....	28

**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**

**Pierce County Fire Protection District No. 18
January 1, 2016 through December 31, 2017**

Board of Commissioners
Pierce County Fire Protection District No. 18
Orting, 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 Pierce County Fire Protection District No. 18, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 6, 2018.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 6, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pierce County Fire Protection District No. 18 January 1, 2016 through December 31, 2017

Board of Commissioners
Pierce County Fire Protection District No. 18
Orting, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pierce County Fire Protection District No. 18, for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, Pierce County Fire Protection District No. 18 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 Pierce County Fire Protection District No. 18, for the years ended December 31, 2017 and 2016, 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 Pierce County Fire Protection District No. 18, as of December 31, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

November 6, 2018

FINANCIAL SECTION

Pierce County Fire Protection District No. 18 January 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017

Fund Resources and Uses Arising from Cash Transactions – 2016

Notes to Financial Statements – 2017

Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017

Schedule of Liabilities – 2016

Pierce County Fire Protection District No. 18
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	1,511,644
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	3,188,549
320	Licenses and Permits	-
330	Intergovernmental Revenues	21,151
340	Charges for Goods and Services	371,666
350	Fines and Penalties	-
360	Miscellaneous Revenues	98,271
Total Revenues:		3,679,638

Expenditures

510	General Government	15,639
520	Public Safety	3,375,918
Total Expenditures:		3,391,556
Excess (Deficiency) Revenues over Expenditures:		288,081

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	2,350,000
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	78
381, 395, 398	Other Resources	2,930
Total Other Increases in Fund Resources:		2,353,007

Other Decreases in Fund Resources

594-595	Capital Expenditures	3,580
591-593, 599	Debt Service	70,346
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	(19,799)
Total Other Decreases in Fund Resources:		54,127

Increase (Decrease) in Cash and Investments: 2,586,960

Ending Cash and Investments

5081000	Reserved	2,350,000
5088000	Unreserved	1,748,606
Total Ending Cash and Investments		4,098,606

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

Pierce County Fire District No. 18 was incorporated in 1954 and operates under the laws of the state of Washington applicable to a District. The District is a general purpose local government and provides fire protection and EMS services.

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 up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Notes to the Financial Statements
For the year ended December 31, 2017

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/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total - Expense Fund	3,553,559.00	3,445,683.44	107,875.56

Budgeted amounts are authorized to be transferred between departments within any fund or 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

See Note 3, *Deposits and Investments*.

E. Capital Assets

The District has no formal capitalization policy. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 288 hours and is payable upon separation or retirement for Union members. Sick leave may be accumulated up to 2160 hours and 25% of the 2160 unused sick leave is payable upon separation or retirement.

The administration staff may accumulate up to 400 hours of vacation and 1,440 hours of sick leave.

Compensatory time may be accumulated up to 72 hours and is payable at any time with regular payroll processing if requested or upon separation or retirement.

Payments are recognized as expenditures when paid.

The total cost of compensated absences at the end of 2017 is \$266,952.64.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

Notes to the Financial Statements
For the year ended December 31, 2017

H. 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 Limited Tax General Bond Obligations. 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:

Fund Name	Amount Reserved	Reason for Restriction
Expense Fund	\$2,346,000,000	Go Bond, Funds received before Purchase and Sale Complete

The District received a non-voted Limited Tax General Bond Obligation in the amount of \$2,350,000 to purchase the building in which it resides from the City of Orting. The Bond funds were received in December, but the purchase and sale were not completed until January of 2018. The funds were deposited into the GO Bond fund and transferred into the General fund as directed by the District’s Board of Fire Commissioners to comply with LTGO Bond covenants. The only expense in 2017 was for the bank fee for the Bond which was part of the original Bond proceeds.

Note 2 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District or its agent in the government’s name.

Investments are reported at original cost.

Note 3 - Property Tax

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

Property tax revenues are recognized when cash is received by the 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 2017 was \$1.34 per \$1,000 on an assessed valuation of \$1,307,885,634 for a total regular levy of \$1,752,945.51.

The district’s EMS levy for the year 2017 was \$.46 per \$1,000 on an assessed valuation of \$1,314,504,632 for a total additional EMS levy of \$610,206.52.

The district’s Maintenance & Operations levy for the year 2017 was \$0.6359 per \$1,000 on an assessed valuation of \$1,297,175,261 for a total regular levy of \$825,000.

Notes to the Financial Statements
For the year ended December 31, 2017

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 debt transactions for year ended December 31, 2017.

The debt service requirements for general obligation bonds, and capital leases are as follows:

Year	Principal	Interest	Total Debt Service
2018	184,123	65,911	250,033
2019	191,066	61,874	252,939
2020	196,080	56,758	252,839
2021	202,169	51,500	253,669
2022	175,509	46,074	221,583
2023-2027	875,797	161,685	1,037,482
2028-2032	875,000	60,762	935,762
Totals	\$ 2,699,744	\$ 504,564	\$ 3,204,307

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the District’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 PERS and LEOFF.

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

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

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

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

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

Notes to the Financial Statements
For the year ended December 31, 2017

At June 30, 2017 (the measurement date of the plans), the District’s proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1 UAAL	2865.58	4,745,078,000	0.00047600%	\$ 22,586.57	
PERS 2/3	3742.67	3,474,522,000	0.00061300%	\$ 21,298.82	
LEOFF 2	86018.53	(1,387,676,000)	0.05445100%		\$ (755,603.46)
VFFRPF	270.00		0.130000%	\$ -	\$ (46,804.04)
				\$ 43,885	\$ (802,407)

LEOFF Plan 2

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

Note 6 – Risk Management

Orting Valley Fire and Rescue is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2017, there are 540 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is

for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is

Notes to the Financial Statements
For the year ended December 31, 2017

not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Note 7 - Other Disclosures

A. Interlocal Agreements

1. East Pierce Fire & Rescue-for reciprocity of EMS Levy Transport Mutual Aid Responses
2. Graham Fire & Rescue-for reciprocity of EMS Levy Transport Mutual Aid Responses
3. Graham Fire & Rescue-for joint training
4. Orting School District-for the use of a portion of Station 43 to operate a radio and antenna in an emergency
5. East Pierce Fire & Rescue and Central Pierce Fire & Rescue- to collaborate on Swiftwater rescues, to include automatic aid and training.
6. Washington State Military Department- for interstate mutual aid according to the model presented in the National Strategy for Homeland Security
7. Kent Fire Department Regional Fire Authority – for the cooperative purchase of materials, supplies, and equipment.
8. Pierce County – to provide mutual aid within all Pierce County fire districts; city and town fire departments, and military fire departments.
9. WA State Department of Natural Resources- to provide for mutual assistance and cooperation in the control and suppression of forest land fire.
10. WA State Patrol- to provide for the reimbursement of allowable Fire Agency costs incurred while its assets are mobilized.
11. WA State Department of Enterprise Services-to purchase goods and services for its direct use under contracts entered into by DES that permit such use.
12. HGAC Buy-cooperative purchase of materials, supplies and equipment.
13. National Purchasing Partners-to contract with governmental bodies and Vendors to perform functions and services, including the purchase of goods and services.

Notes to the Financial Statements
For the year ended December 31, 2017

14. Central Pierce Fire & Rescue-for the use of training facilities.
15. East Pierce Fire & Rescue- purchasing of EMS supplies.
16. Graham Fire & Rescue-for the temporary use of rolling stock.
17. South Puget Sound Fire Coordinating Group-to provide fire training, qualification and certification in the DNR South Puget Sound Region.
18. Tacoma Public School District-forest management services through firefighting training activities.
19. NASH Cascadia Verde, LLC- conduct supervised fire and emergency management training activities.
20. King County Fire District No. 28- to provide Water Tender operations and assistance.
21. Okanogan County-to provide emergency response and recovery assistance.

Pierce County Fire District No. 18
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The Pierce County Fire District No. 18 was incorporated in 1954 and operates under the laws of the state of Washington applicable to a Fire District. The District is a special purpose local government and provides fire protection and EMS services.

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 up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total - Expense Fund	3,542,022.00	3,901,396.84	-359,374.84

Budgeted amounts are authorized to be transferred between departments within any fund or 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.

A budget amendment was made at the end of the year via Resolution in the amount of \$268,422.00. The variance is due to an adjustment made for a prior year loan and additionally for a current year loan.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

The District has no formal capitalization policy. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 288 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 2160 hours. Upon separation or retirement employees receive 25% of any accrued and unused sick leave hours at their base rate of pay when permanently separated or retirement from service. Payments are recognized as expenditures when paid.

Compensatory time may be accumulated up to 72 hours and is payable upon separation or retirement.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

Orting Valley Fire and Rescue is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

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 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 tax is levied.

The District’s regular levy for the year 2016 was \$1.45 per \$1,000 on an assessed valuation of \$1,175,347,636 for a total regular levy of \$1,700,284.37.

The district’s EMS levy for the year 2016 was \$.50 per \$1,000 on an assessed valuation of \$1,180,959,640 for a total additional EMS levy of \$590,479.82

The district’s Maintenance & Operations levy for the year 2016 was \$0.7064 per \$1,000 on an assessed valuation of \$1,167,746,903 for a total regular levy of \$825,000.

Note 3 – Deposits and Investments

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.

The district has no investments.

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 debt transactions for year ended December 31, 2016.

The debt service requirements for capital leases are as follows:

	Principal	Interest	Total
2017	\$ 50,955.91	\$ 15,111.72	\$ 66,067.63
2018	\$ 53,110.91	\$ 13,235.31	\$ 66,346.22
2019	\$ 55,056.56	\$ 11,289.66	\$ 66,346.22
2020	\$ 57,074.04	\$ 9,272.18	\$ 66,346.22
2021	\$ 59,166.01	\$ 7,180.21	\$ 66,346.22
2022-2026	\$ 125,306.03	\$ 12,772.97	\$ 138,079.00
Total	\$ 400,669.46	\$ 68,862.05	\$ 469,531.51

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the District’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 PERS and LEOFF.

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

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

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

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

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

At June 30, 2016 (the measurement date of the plans), the District’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1 UAAL	5,370,471,000	0.000459%	\$ 24,650.46	
PERS 2/3	5,034,921,000	0.000589%	\$ 29,655.68	
LEOFF 2	(581,630,000)	0.055400%		\$ (322,223.02)
VFFRPF		0.110000%		\$ (18,187.00)

LEOFF Plan 2

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

Interlocal Agreements

- A. Kent Fire Department Regional Fire Authority – for the cooperative purchase of materials, supplies, and equipment.
- B. Pierce County – to provide mutual aid within all Pierce County fire districts; city and town fire departments, and military fire departments.
- C. WA State Department of Natural Resources- to provide for mutual assistance and cooperation in the control and suppression of forest land fire.
- D. WA State Patrol- to provide for the reimbursement of allowable Fire Agency costs incurred while its assets are mobilized.
- E. WA State Department of Enterprise Services-to purchase goods and services for its direct use under contracts entered into by DES that permit such use.
- F. HGAC Buy-cooperative purchase of materials, supplies and equipment.
- G. National Purchasing Partners-to contract with governmental bodies and Vendors to perform functions and services, including the purchase of goods and services.
- H. Central Pierce Fire & Rescue-for the temporary use of an engine.
- I. Central Pierce Fire & Rescue-for the use of training facilities.
- J. East Pierce Fire & Rescue- purchasing of EMS supplies.
- K. Graham Fire & Rescue-for the temporary use of rolling stock.
- L. South Puget Sound Fire Coordinating Group-to provide fire training, qualification and certification in the DNR South Puget Sound Region.
- M. Tacoma Public School District-forest management services through firefighting training activities.
- N. NASH Cascadia Verde, LLC- conduct supervised fire and emergency management training activities.
- O. King County Fire District No. 28- to provide Water Tender operations and assistance.
- P. Okanogan County-to provide emergency response and recovery assistance.

Correction of Material Error in Prior Year- Loan Proceeds

An adjustment was made to account for the capital expense of a loan, which should have been reflected in the prior year to offset the proceeds.

Pierce County Fire Protection District No. 18
Schedule of Liabilities
For the Year Ended December 31, 2017

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Capital Lease-2015 Ambulance	6/15/2021	144,315	-	26,993	117,322
263.51	Capital Lease-Station Renovation	5/15/2025	256,677	-	24,255	232,422
251.11	Go Bond	12/1/2032	-	2,350,000	-	2,350,000
Total General Obligation Debt/Liabilities:			400,992	2,350,000	51,248	2,699,744
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		130,097	136,856	-	266,953
264.30	Pension Liability		54,306	-	10,421	43,885
Total Revenue and Other (non G.O.) Debt/Liabilities:			184,403	136,856	10,421	310,838
Total Liabilities:			585,395	2,486,856	61,669	3,010,582

Pierce County Fire Protection District No. 18
Schedule of Liabilities
For the Year Ended December 31, 2016

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
263.51	Capital Lease-2015 Ambulance	6/15/2021	171,763	-	27,448	144,315
263.51	Capital Lease-station renovation	5/15/2025	-	280,000	23,323	256,677
	Total General Obligation Debt/Liabilities:		171,763	280,000	50,771	400,992
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		121,583	8,514	-	130,097
264.30	Pension Liability		44,123	10,183	-	54,306
	Total Revenue and Other (non G.O.) Debt/Liabilities:		165,706	18,697	-	184,403
	Total Liabilities:		337,469	298,697	50,771	585,395

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov