



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Pierce County Fire Protection District No. 17

(South Pierce Fire and Rescue)

For the period January 1, 2012 through December 31, 2014

Published June 2, 2016

Report No. 1016773





Washington State Auditor's Office

June 2, 2016

Board of Commissioners
South Pierce Fire and Rescue
Eatonville, Washington

Report on Financial Statements

Please find attached our report on the South Pierce Fire and Rescue's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style.

TROY KELLEY
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.....	29

**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**

**South Pierce Fire and Rescue
Pierce County
January 1, 2012 through December 31, 2014**

Board of Commissioners
South Pierce Fire and Rescue
Roy, 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 the South Pierce Fire and Rescue, Pierce County, Washington, as of and for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 27, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 27, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

South Pierce Fire and Rescue Pierce County January 1, 2012 through December 31, 2014

Board of Commissioners
South Pierce Fire and Rescue
Roy, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the South Pierce Fire and Rescue, Pierce County, Washington, for the years ended December 31, 2014, 2013 and 2012, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the South Pierce Fire and Rescue 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 the South Pierce Fire and Rescue, for the years ended December 31, 2014, 2013 and 2012, 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 the South Pierce Fire and Rescue, as of December 31, 2014, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to

the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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 May 27, 2016 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 27, 2016

FINANCIAL SECTION

**South Pierce Fire and Rescue
Pierce County
January 1, 2012 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2012
Notes to Financial Statements – 2014
Notes to Financial Statements – 2013
Notes to Financial Statements – 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Liabilities – 2013
Schedule of Liabilities – 2012

Pierce County Fire Protection District No. 17
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		<u>001 General Fund</u>
Beginning Cash and Investments		
30810	Reserved	655,631
30880	Unreserved	378,952
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	2,839,334
320	Licenses and Permits	-
330	Intergovernmental Revenues	52,968
340	Charges for Goods and Services	593,345
350	Fines and Penalties	-
360	Miscellaneous Revenues	28,404
Total Operating Revenues:		<u>3,514,050</u>
Operating Expenditures		
510	General Government	-
520	Public Safety	3,889,353
Total Operating Expenditures:		<u>3,889,353</u>
Net Operating Increase (Decrease):		<u>(375,303)</u>
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>-</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	14
591-593	Debt Service	-
594-595	Capital Expenditures	-
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>14</u>
Net Increase (Decrease) in Cash and Investments:		<u>(375,317)</u>
Ending Cash and Investments		
50810	Reserved	-
50880	Unreserved	659,267

The accompanying notes are an integral part of this statement.

Pierce County Fire Protection District No. 17
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		<u>001 General Fund</u>
Beginning Cash and Investments		
30810	Reserved	655,582
30880	Unreserved	700,003
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	2,764,843
320	Licenses & Permits	-
330	Intergovernmental Revenues	46,637
340	Charges for Goods and Services	603,772
350	Fines & Penalties	-
360	Miscellaneous Revenues	25,275
Total Operating Revenues:		<u>3,440,527</u>
Operating Expenditures		
510	General Government	-
520	Public Safety	3,761,377
Total Operating Expenditures:		<u>3,761,377</u>
Net Operating Increase (Decrease):		<u>(320,850)</u>
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>-</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	156
591-593	Debt Service	-
594-595	Capital Expenditures	-
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>156</u>
Net Increase (Decrease) in Cash and Investments:		<u>(321,006)</u>
Ending Cash and Investments		
50810	Reserved	655,631
50880	Unreserved	378,948

The accompanying notes are an integral part of this statement.

Pierce County Fire Protection District No. 17
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2012

		<u>001 General Fund</u>
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	1,363,803
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	3,133,511
320	Licenses & Permits	-
330	Intergovernmental Revenues	62,481
340	Charges for Goods and Services	567,179
350	Fines & Penalties	-
360	Miscellaneous Revenues	119,623
Total Operating Revenues:		<u>3,882,794</u>
Operating Expenditures		
510	General Government	107,918
520	Public Safety	3,742,497
598	Intergovernmental Payments	-
Total Operating Expenditures:		<u>3,850,415</u>
Net Operating Increase (Decrease):		32,379
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>-</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	40,518
594-595	Capital Expenditures	410
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>40,928</u>
Net Increase (Decrease) in Cash and Investments:		(8,549)
Ending Cash and Investments		
50810	Reserved	-
50880	Unreserved	1,355,255

The accompanying notes are an integral part of this statement.

Pierce County Fire Protection District No. 17

For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The Pierce County Fire Protection District No. 17 was incorporated on February 19, 1953 and operates under the laws of the state of Washington applicable to a fire department. The district is a special purpose local government and provides fire and EMS.

The district reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the district also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The district adopts annual appropriated budgets for 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
General Fund	\$3,806,612	\$4,119,366	\$(312,754)
Total General Fund	\$3,806,612	\$4,119,366	\$(312,754)

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

See Note 3, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets and inventory are recorded as capital expenditures when purchased. The District does not use a depreciation method for capital assets.

F. Compensated Absences

Vacation leave may be accumulated up to 12 days per year or 288 hours for shift personnel or 160 hours for 40-hour week personnel. Administrative personnel may accumulate up to 240 hours of vacation, and the District Secretary may accumulate up to 360 hours of vacation. All vacation hours are payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon **retirement** employees do receive payment .004 of the employer DRS rate for each day of unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Liabilities:

See Note 4, Debt Service Requirements.

H. Risk Management

Policy holders pay an annual premium to McNeil & Company Insurance and Risk Services. McNeil & Company along with Arch Insurance Company are responsible for payment of all covered causes of loss against the District above the stated deductible, if any. Portable equipment and real and personal property are covered at either actual cash value, replacement cost or guaranteed replacement cost. McNeil & Company along with Arch Insurance Company provides general liability, automobile, and fire and rescue service liability, and emergency services liability on an "occurrence" and/or "claims-made" basis, subject to an umbrella liability. The most common sub-limit of liability starts at \$1M, while aggregate limits may reach as high as \$10M.

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 county. 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 \$1.50 per \$1,000 on an assessed valuation of \$1,380,072,488 for a total regular levy of \$2,070,108.73.

The district's EMS levy for the year 2014 was \$.50 per \$1,000 on an assessed valuation of \$1,471,211,656 for a total regular levy of \$735,605.83.

Note 3 – Deposits and Investments

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 county or its agent in the government's name.

Due to a decline in revenue, there were no investments on December 31, 2014.

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 compensated absences in the accompanying Schedule 9 include 1.45% additional for estimated Medicare taxes.

Note 5 - Pension Plans

Substantially all district full-time and qualifying part-time employees participate in LEOFF II and PERS II Retirement Plans, 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 - Other Disclosures

The district is self- insured for unemployment. There were no unemployment claims paid in 2014.

The General Fund is over budget due to the slow recovery of the economy. Even though the staffing during this period is at or below the number represented in 2009, the revenues received in 2014 are below the 2009 rate. This department has worked hard to maintain staffing and stay within budget; however, in 2014 the expenditures exceeded the budget.

Pierce County Fire Protection District #17
Notes to Financial Statements
Year Ending 2013

Note 1 - Summary of Significant Accounting Policies

The Pierce County Fire Protection District #17 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.

The Pierce County Fire Protection District #17 was incorporated on February 19, 1953 and operates under the laws of the state of Washington applicable to a fire department. PCFD #17 is a general purpose government and provides fire and EMS). PCFD #17 uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of PCFD #17 are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The district's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the district:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the District. It accounts for all financial resources.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the district also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The district adopts annual appropriated budget for the general fund. This budget is 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.

Fund/Department	Final Appropriated Amount	Actual Expenses	Variance
001 - General Fund			
General Fund	3,763,823.00	3,761,528.95	2,294.05

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

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.

E. Investments See Note 2, *Investments*.

F. Compensated Absences

Vacation leave may be accumulated up to 12 days per year or 288 hours for shift personnel or 160 hours for 40-hour week personnel. Administrative personnel may accumulate up to 240 hours of vacation, and the District Secretary may accumulate up to 360 hours of vacation. All vacation hours are payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon retirement employees receive .004 years of credit for each unused day of sick leave and is paid out at the employers DRS contribution rate

The total long-term liabilities (compensated absences) for Pierce County Fire Protection District #17 as of December 2013 were \$173,357.

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

H. Risk Management – Policy holders pay an annual premium to McNeil & Company Insurance and Risk Services. McNeil & Company along with Arch Insurance Company are responsible for payment of all covered causes of loss against the District above the stated deductible, if any. Portable equipment and real and personal property are covered at either actual cash value, replacement cost or guaranteed replacement cost. McNeil & Company along with Arch Insurance Company provides general liability, automobile, and fire and rescue service liability, and emergency services liability on an “occurrence” and/or “claims-made” basis, subject to an umbrella liability. The most common sub-limit of liability starts at \$1M, while aggregate limits may reach as high as \$10M.

Note 2 - Investments

The district’s investments are insured, registered or held by the county or its agent in the district’s name.

Investments are presented at fair market value.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	^① <u>District’s</u>	^② Investments held by county as an agent for local governments	^③ other
Now Account		261,618	
Now Account		656,403	
Total	\$ _____	\$ <u>918,021</u>	\$ _____

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 county. 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 2013 was \$1.50 per \$1,000 on an assessed valuation of \$1,329,964,894 for a total regular levy of \$1,994,947.34.

The district’s EMS levy for the year 2013 was \$.50 per \$1,000 on an assessed valuation of \$1,421,236,285 for a total regular levy of \$707,919.28.

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, 2013

The compensated absences in the accompanying Schedule 9 include 1.45% additional for estimated Medicare taxes.

Note 5 - Pension Plans

Substantially all district full-time and qualifying part-time employees participate in LEOFF II and PERS II Retirement Plans, 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 - Other Disclosures

- Wilcox Farms is a commercial farm located in Roy, WA had a silo collapse in December 2013. PDFC #17 called out the PCSORT Team for a confined space rescue. As of the date this report was submitted, Wilcox Farm insurance has not paid the costs for the PCSORT Team and the district may be responsible for the \$27,000 cost of this rescue.
- The District is self- insured for unemployment. There were no unemployment claims paid in 2013.

Capital Assets:

Capital Assets are long-lived assets of the assets of the District and are recorded as capital expenditures when purchased.

Pierce County Fire Protection District #17
Notes to Financial Statements
Year Ended 2012

Note 1 - Summary of Significant Accounting Policies

The Pierce County Fire Protection District #17 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.

The Pierce County Fire Protection District #17 was incorporated on February 19, 1953 and operates under the laws of the state of Washington applicable to a fire department. PCFD #17 is a general purpose government and provides fire and EMS). PCFD #17 uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of PCFD #17 are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The district's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the district:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the District. It accounts for all financial resources.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the district also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The district adopts an annual appropriated budget for the general fund. The budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapses at the fiscal year end.

Annual appropriated budget is adopted on the same basis of accounting as used for financial reporting.

Fund/Department	Final Appropriated Amount	Actual Expenses	Variance
001 - General Fund	\$4,114,577	\$3,892,242.35	\$274,294.65
Total Budget	\$4,114,577	\$3,892,242.35	\$274,294.65

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

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.

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 five years. Capital assets and inventory are recorded as capital expenditures when purchased. The District does not use a depreciation method for capital assets.

F. Compensated Absences

Vacation leave may be accumulated up to 12 days per year or 288 hours for shift personnel or 160 hours for 40-hour week personnel. Administrative personnel may accumulate up to 240 hours of vacation, and the District Secretary may accumulate up to 360 hours of vacation. All vacation hours are payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon retirement employees receive .004 years of credit for each unused day of sick leave and is paid out at the employers DRS contribution rate

E. Investments See Note 2, *Investments*.

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

H. Risk Management – Policy holders pay an annual premium to McNeil & Company Insurance and Risk Services. McNeil & Company along with Arch Insurance Company are responsible for payment of all covered causes of loss against the District above the stated deductible, if any. Portable equipment and real and personal property are covered at either actual cash value, replacement cost or guaranteed replacement cost. McNeil & Company along with Arch Insurance Company provides general liability, automobile, and fire and rescue service liability, and emergency services liability on an “occurrence” and/or “claims-made” basis, subject to an umbrella liability. The most common sub-limit of liability starts at \$1M, while aggregate limits may reach as high as \$10M.

Note 2 - Investments

The district’s investments are insured, registered or held by the county or its agent in the district’s name.

Investments are presented at fair market value.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	① <u>District’s</u>	② Investments held by county as an agent for local governments	③ other
Expense Account		\$1,273,785	
Total	\$ _____	<u>\$ 1,273,785</u>	

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 county. 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 2012 was \$1.50 per \$1,000 on an assessed valuation of \$1,512,572,152 for a total regular levy of \$2,268,858.23.

The district’s EMS levy for the year 2012 was \$.50 per \$1,000 on an assessed valuation of \$1,628,249,630 for a total regular levy of \$814,124.82.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2012.

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

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Payment/ Interest</u>	<u>Total Debt</u>
2012	NA	NA	\$40,518.31	\$38,720.59/ \$1,797.72	\$40,518.31

Note 5 - Pension Plans

Substantially all district full-time and qualifying part-time employees participate in LEOFF II and PERS II Retirement Plans, 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

Pierce County Fire Protection District No. 17
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences - Gov		173,357	-	32,139	141,218
Total General Obligations:			173,357	-	32,139	141,218
Total Liabilities:			173,357	-	32,139	141,218

Pierce County Fire Protection District No. 17
Schedule of Liabilities
For the Year Ended December 31, 2013

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences - Gov		170,529	2,828	-	173,357
Total General Obligations:			170,529	2,828	-	173,357
Total Liabilities:			170,529	2,828	-	173,357

Pierce County Fire Protection District No. 17
Schedule of Liabilities
For the Year Ended December 31, 2012

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences	12/31/2012	149,733	170,529	149,733	170,529
263.61	E05-1 Final Payment	3/18/2012	35,903	-	35,903	-
Total General Obligations:			185,636	170,529	185,636	170,529
Total Liabilities:			185,636	170,529	185,636	170,529

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