



# Washington State Auditor's Office

Government that works for citizens

## **Financial Statements and Federal Single Audit Report**

# **Pierce County Fire Protection District No. 6 (Central Pierce Fire & Rescue)**

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

**Published July 5, 2016**

**Report No. 1017073**





## Washington State Auditor's Office

July 5, 2016

Board of Commissioners  
Central Pierce Fire & Rescue  
Spanaway, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Central Pierce Fire & Rescue's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Central Pierce Fire & Rescue  
Pierce County  
January 1, 2015 through December 31, 2015**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Central Pierce Fire & Rescue are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
97.083	Staffing for Adequate Fire and Emergency Response

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

The District qualified as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**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**

**Central Pierce Fire & Rescue  
Pierce County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Central Pierce Fire & Rescue  
Tacoma, 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 governmental activities, each major fund and the aggregate remaining fund information of the Central Pierce Fire & Rescue, Pierce County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2016. As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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**

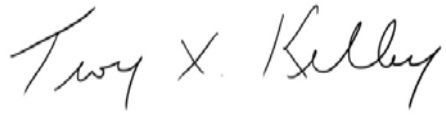
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 29, 2016



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

**Central Pierce Fire & Rescue  
Pierce County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Central Pierce Fire & Rescue  
Tacoma, Washington

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

We have audited the compliance of the Central Pierce Fire & Rescue, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

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

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

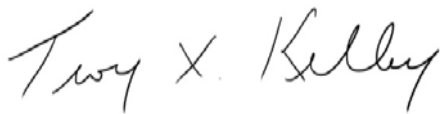
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

June 29, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Central Pierce Fire & Rescue Pierce County January 1, 2015 through December 31, 2015**

Board of Commissioners  
Central Pierce Fire & Rescue  
Tacoma, Washington

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Central Pierce Fire & Rescue, Pierce County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Central Pierce Fire & Rescue, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 2 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 25, budgetary comparison information on pages 58 through 59, information on postemployment benefits other than pensions on page 60, and pension plan information on pages 61 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

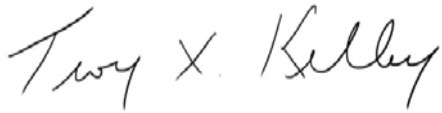
### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 June 29, 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.

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TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 29, 2016

## **FINANCIAL SECTION**

### **Central Pierce Fire & Rescue Pierce County January 1, 2015 through December 31, 2015**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position  
– 2015

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2015

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of  
Governmental Funds to the Statement of Activities – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule (GAAP Basis) – General Fund (001) – 2015

Budgetary Comparison Schedule (GAAP Basis) – Special Revenue Fund (101) – 2015

Schedule of Funding Progress – LEOFF I and LEOFF II – 2015

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Proportionate Share of Net Pension Liability – PERS 2&3 – 2015

Schedule of Employer Contributions – PERS 2&3 – 2015

Schedule of Proportionate Share of Net Pension Liability – LEOFF 1 – 2015

Schedule of Employer Contributions – LEOFF 1 – 2015

Schedule of Proportionate Share of Net Pension Liability – LEOFF 2 – 2015

Schedule of Employer Contributions – LEOFF 2 – 2015

Note 1 – Pension Plan Trend Data – 2015



## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Introduction

This discussion and analysis presents the highlights of financial activities and financial position for Pierce County Fire Protection District No. 6. The analysis focuses on the financial activities of the District for the fiscal year ended December 31, 2015 and is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

### Financial Highlights

The following are the financial highlights of the District for the fiscal year ended December 31, 2015.

- In the government-wide financial statements, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at December 31, 2015 by \$33,823,264 (net position). Of this amount, \$12,854,381 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$7,065,374 or 26.4%, primarily due to the implementation of GASB 68 and 71, Accounting and Financial Reporting for Pensions, which yielded \$7,081,471 in outflows and inflows of resources for pension plan assets, liabilities, and changes in proportions.
- As of December 31, 2015 the District's governmental funds reported combined ending fund balances of \$35,422,509. Of this amount, 10% is unassigned. District wide this is a reduction of \$3,625,176, primarily due to expending general obligation bond funds on capital projects as planned.
- At December 31, 2015, total fund balance for the General Fund was \$17,959,500, or 53 percent of total General Fund expenditures. Of this balance, \$264,101 is nonspendable, with no restrictions for unclaimed property. \$5,519,888 has been committed for equipment replacement, reserves, and facility repair and maintenance, \$8,500,000 has been assigned for minimum cash flow requirement, and \$3,675,511 is unassigned and available for new spending.
- The District's total long-term liabilities increased by \$825,301 during the current fiscal year. The key factors in this were a \$1.78M principal payment toward the unlimited tax general obligation bonds, a net increase in OPEB of \$1.72M, a capital lease purchase of a fire engine for \$651,083, and net increase in compensated absences of \$239,023. Also, as of December 31, 2015, the District currently had 231 members who could take advantage of the OPEB program in the future.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information (RSI).

#### A. Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business and include the statement of net position and the statement of activities. They focus on an entity-wide presentation using the accrual basis of accounting and are designed to be more corporate-like in that all activities are consolidated.

The statement of net position presents information on all of the District's resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes, deferred outflows of resources, deferred inflows of resources, and their effects on the government's net position. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over time increases and decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise in the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 20 and 21 of this report.

#### B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the statement of revenues, expenditures, and changes in fund balances for those funds. These financial statements report three major funds: the general fund, EMS special revenue fund, and the capital projects fund. The District has one non-major fund: debt service.

The District adopts an annual appropriated budget for all funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the general fund, and EMS special revenue fund as required supplementary information.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

#### C. Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

The notes to the basic financial statements can be found on pages 28-52 of this report.

#### D. Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI). The RSI schedules include budgetary comparisons for the General Fund and EMS Special Revenue Funds.

Required supplementary information can be found on pages 55-57 of this report.

#### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was \$33,823,264 at December 31, 2015.

	Governmental Activities		
	2015	2014	Percent Change
Current and other assets:	\$ 37,863,747	\$ 41,471,570	(8.7) %
Capital Assets	24,152,789	19,566,400	23.44
Net Pension Asset	9,677,841	0	100.0
Total Assets:	71,694,377	61,037,970	17.46
Deferred Outflows	2,347,102	0	100.0
Current Liabilities:	3,057,600	3,573,746	3.87
L/T Liabilities Outstanding	32,217,143	30,706,336	2.79
Net Pension Liability	1,777,049	0	100.0
Total Liabilities:	37,051,792	34,280,082	8.09
Deferred Inflows	3,166,423	0	100.0
Net Position:			
Net Investment in Capital Assets	20,968,883	19,566,400	7.17
Unrestricted	12,854,381	7,191,489	78.74
Total Net Position:	\$ 33,823,264	\$ 26,757,889	26.40 %

The largest portion of the District's net position (62 percent of total net position, 53% of total assets) reflects its investment in capital assets (e.g. land, buildings, fire apparatus, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The District's largest liability (45 percent of total liabilities) is for the general obligation bond debt issued in 2013. The District also has notable OPEB liability (28 percent of total liabilities), while current liabilities of the District consist largely of accounts payable and salaries and benefits.

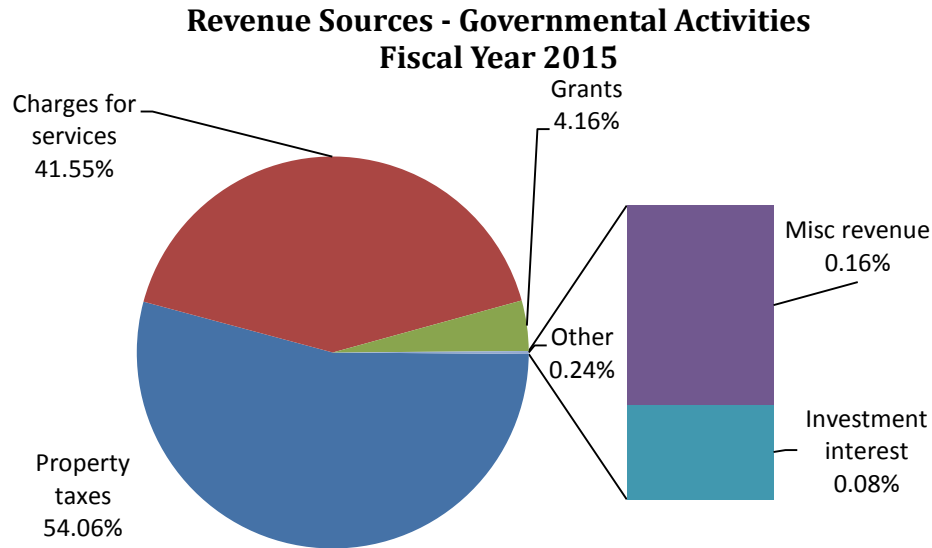
*Governmental Activities*

Governmental activities increased the District's net position during the current year by \$7,065,374, which is a 26.4 percent increase in the District's net position. Key elements of the increase are as follows:

	Governmental Activities		
	2015	2014	Percent Change
Revenues:			
Property Taxes	\$ 26,740,804	\$24,838,550	7.66 %
Charges for Services	20,552,465	20,047,513	2.52
Grants	2,056,102	1,598,685	28.61
Investment Interest	38,046	43,465	(12.47)
Miscellaneous Revenue	79,884	86,412	(7.55)
Gain-sale of cap asset	0	77,128	(100.0)
Total Revenues:	49,467,301	46,691,753	5.94 %
Expenses:			
Public Safety	47,111,997	46,180,145	2.02 %
Interest on L/T Debt	661,339	699,026	(5.39)
Total Expenses:	47,773,336	46,879,171	1.91
Change in Net Position:	1,693,965	(187,418)	(1003.8)
Net Position – start of year	26,757,892	26,945,310	(5.39)
Cumulative effect of change in Accounting Principle (Pension)	5,371,408		100.0
Net Position – End of Year	\$ 33,823,265	\$26,757,892	26.4 %

## Key elements affecting governmental activities:

- In 2015, assessed value increased by approximately 7.8 percent which yielded an increase in property tax collections of \$1,902,254 over 2014. Intergovernmental revenues were primarily made up of a final full year of the FEMA SAFER grant, with \$884,471 reported for Washington State pension contributions due to the special funding situation in LEOFF 2 pension as related to the implementation of GASB 68, Accounting and Financial Reporting for Pensions. The fire benefit charge and patient transport fees make up the majority of charges for services.
- Expenditures increased in majority due to personnel costs related to a 3.1% cost of living increase.



### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### *Governmental Funds*

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances on spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2015, the District's governmental funds reported combined ending fund balances of \$35,422,509. 10 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not currently available for new spending. It has already been allocated for other purposes including capital expenditures, facility maintenance, prepaid expenditures (inventory), or for initial cash flow in the event of a major disaster (reserve).

The General Fund is the chief operating fund of the District. At December 31, 2015, unassigned fund balance of the general fund was \$3,675,511, with total fund balance of \$17,959,500. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

Unassigned fund balance represents 11 percent of the total General Fund expenditures, while total fund balance represents 53 percent of that same amount. It is the District's policy to strive to end the year with approximately 5 percent of actual expenditures in fund balance to assure positive cash flow for the next fiscal year. Thus, 11 percent, in terms of liquidity, is a healthy result, whereas the 53 percent includes long-term fund balance designations that provide for future capital replacements which benefit liquidity on a long-range basis and aid in continuity of operations.

Fund balance of the District's General Fund increased by \$792,821, or approximately 4.6 percent during the current fiscal year. The key factor was an increase in the equipment replacement commitment.

The net increase in fund balance of \$645,057 in the EMS special revenue fund is attributable primarily to a B&O tax credit in the amount of \$265,771 from Department of Revenue. Also contributing were slightly higher property tax collections than planned expenditures.

The Districts Capital Projects Fund decreased fund balance by \$5,124,267, due to expenditures for ongoing bond projects, land acquisition, and work in progress spending down as planned.

## Budgetary Highlights

### General Fund

The original 2015 budget adopted by the Board of Fire Commissioners for the General Fund was \$34,205,298.

The general fund budget was amended throughout the year for the following reasons:

- The District increased budget \$464,000 for suppression overtime due to a minimum staffing change delay and record 2015 wildfires.
- The District General Fund budget was also amended for \$971,000, the majority of which included \$308,000 for retroactive pay for bargaining unit cost of living settlements, an additional \$431,900 in suppression overtime.
- There were also various minor budget adjustments between divisions but none that changed the grand total appropriation of the budget.

Total revenue was higher than the final approved revenue budget by a net of \$143,441. This was due to higher than expected tax and assessment collections, as well as lower than expected grant reimbursements.

Actual expenditures totaled 95 percent of the final budgeted amounts, in majority due to delays in capital equipment purchases as well as continued Divisional reductions in expenditures wherever possible. It is anticipated that the savings for capital purchased not fulfilled in fiscal year 2015 as well as the increased revenue will be used to meet contractual obligations in future years.

## Capital Assets

The District's investment in capital assets includes land and improvements, buildings and improvements, fire apparatus and support vehicles, and general suppression, emergency medical, and technological equipment, and intangibles. As of December 31, 2015, the District had invested \$24,152,792 in capital assets, net of depreciation. The increase in investment of capital assets for 2015 was 17.5 percent due mainly to bond projects funded by general obligation bonds. Additionally some medic units, an engine and staff vehicles equipment were acquired to continue planned replacement of aging equipment. For 2016, facility improvements will continue to be addressed with general obligation bond proceeds according to the capital improvement plan, while equipment purchases that were pushed off due to the economic downturn are again being replaced per the equipment replacement plan.

	Governmental Activities		
	2015	2014	Percent Change
Land	\$ 1,105,496	\$ 1,141,650	(3.2) %
Work in progress	5,456,027	1,285,703	100.0
Buildings	13,662,383	13,662,383	0.0
Machinery and equipment	14,168,541	13,054,239	8.5
Intangibles	<u>852,575</u>	<u>852,575</u>	0.0
Total capital assets	\$ 35,245,022	\$ 29,996,550	17.5
Less Accumulated Deprec.			
Buildings	(3,685,401)	(3,459,870)	6.5
Machinery and Equipment	(7,002,997)	(6,613,584)	5.9
Intangible Depreciation	<u>(403,832)</u>	<u>(356,694)</u>	13.2
Total Accumulated Deprec.	(11,092,230)	(10,430,148)	6.3
Net Capital Assets, Governmental Activities	\$ 24,152,792	\$ 19,566,402	23.4 %

Major capital asset activities during the fiscal year included the following changes:

- Sale of Sprinkler Property (Land).
- Sharepoint Server
- 3 Staff Vehicles
- 1 Fire Engine
- 2 Extrication Tools
- 2 Medic Units, and
- Work In Progress includes MDC replacement project, 1 Staff response vehicles, and improvements for capital bond projects for stations 60,61,63,66,67,68, and 72.

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

### Economic Factors and Next Year's Budget

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with the District's short and long-term goals and objectives. The following are the major assumptions used in developing the 2016 fiscal year budget:

- The District's assessed value (AV) for existing property and structures, the basis of property tax revenue, is expected to increase approximately 7.8 percent. Adding in new construction the realized increase in assessed valuation will be approximately 7.9 percent. This is the third consecutive increase following a three years decline in assessed valuation. The increase is attributed to a rebound in local and regional real estate market.
- The regular property tax rate will remain at \$1.00 per \$1,000 of assessed valuation, with the EMS levy at \$.48 per \$1,000 of assessed valuation. The regular levy rate is the maximum allowed by law. The EMS levy is planned to go to the voters in August 2016 to get the levy back to the maximum of \$.50 per \$1,000 of assessed valuation.
- The Board of Fire Commissioners voted to increase the fire benefit charge rate for 2016 by 4 percent. This increase was needed to continue to recover from prior assessed valuation decline.
- Total revenue for the District is estimated to be \$1,359,473 and 2.84 percent higher than the previous year adopted budget. This is mostly attributable to the \$1,420,888 in property tax collection due to AV increase, \$768,780 in additional fire benefit charges due to the 2016 rate



increase, (\$832,895) decrease in intergovernmental revenues as South Sound 911 contribution ended in 2015, and the 2012 SAFER grant is ending in April 2016, as well as minimal impacts of new construction and improvements. Other Financing Sources is anticipated to increase \$20,805,000 due to the final issue of the 2013 voter approved general obligation bonds.

- While the District takes a continued conservative approach in terms of budgeted expenditures, the District is no longer holding positions vacant that have been left through attrition (primarily retirement). In 2016 21 new hires will be put on shift to serve our citizens and relieve the impacts of burnout from excessive overtime since 2011.
- Cost of Living (COLA) increases were estimated at 3.1 percent for most employees, with firefighters and IAFF 726 members having settled contracts for 2016 and 2017 with COLA's of CPI plus 1.5% and CPI minimum 2% maximum 5% respectively.
- For 2016, the District continues staffing at the reduced 54 commissioned firefighters in order to reduce personnel costs and close the gap of expenditures in excess of revenues. Total estimated expenditures for 2016 are \$72,661,097, which includes \$17,808,988 in capital bond projects and capital equipment replacement, and \$2,449,413 in general obligation debt repayment.

### Requests for Information

This financial report is designed to provide various interested parties with a general overview of the District's finances and to show accountability for the money it receives. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Central Pierce Fire & Rescue, Finance Division, PO Box 940, Spanaway, WA 98387.

Pierce County Fire Protection District No. 6  
Central Pierce Fire & Rescue  
Statement of Net Position  
December 31, 2015

**ASSETS**

Cash and Cash Equivalents	\$ 3,648,652
Investments	31,635,700
Taxes Receivable	689,395
Accounts Receivable	1,216,518
Due From Other Governments	361,077
Interest Receivable	297
Inventories	311,915
Restricted Assets	193
Capital Assets	
Non-depreciable	6,561,523
Net Depreciable Assets:	
Net Buildings	9,976,983
Net Machinery & Equipment	7,165,540
Net Intangible	448,743
Net Pension Asset	9,677,841
Total Assets	<u>71,694,377</u>

**DEFERRED OUTFLOW of RESOURCES**

Deferred Outflows Related to Pensions	<u>2,347,102</u>
Total deferred outflows of resources	<u>2,347,102</u>

**LIABILITIES**

Accounts Payable	963,387
Accrued Interest Payable	54,534
Capital Lease	
Due within one year	86,344
Due in more than one year	564,739
Other Post-Employment Benefits -	
Due in more than one year	10,409,411
Compensated Absences	
Due within one year	158,335
Due in more than one year	6,441,159
Bonds Payable:	
Due within one year	1,795,000
Due in more than one year	14,801,834
Net Pension Liability	1,777,049
Total Liabilities	<u>37,051,792</u>

**DEFERRED INFLOWS of RESOURCES**

Deferred Inflows Related to Pensions	<u>3,166,423</u>
Total deferred inflows of resources	<u>3,166,423</u>

**NET POSITION**

Net Investment in Capital Assets	20,968,883
Unrestricted	12,854,381
Total net position	<u>\$ 33,823,264</u>

*The notes to the financial statements are an integral part of this statement.*

Pierce County Fire Protection District No. 6  
 Central Pierce Fire & Rescue  
 Statement of Activities  
 For Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities					
Public Safety	\$ 47,111,997	\$ 20,552,464	\$ 2,056,101	\$ -	\$ (24,503,431)
Interest on Long-term Debt	661,339				(661,339)
Total governmental activities	47,773,336	20,552,464	2,056,101	-	(25,164,770)
Total primary government	<u>\$ 47,773,336</u>	<u>\$ 20,552,464</u>	<u>\$ 2,056,101</u>	<u>\$ -</u>	<u>\$ (25,164,770)</u>
		General Revenues			
		Property Taxes			26,740,804
		Interest Income			38,046
		Miscellaneous Revenue			79,884
		Total General Revenue			<u>26,858,734</u>
		Change in net position			1,693,964
		Net Position - Beginning			26,757,892
		Cumulative Effect of Change in Accounting Principle (Pensions)			5,371,408
		Adjusted Net Position- Beginning			<u>32,129,300</u>
		Net Position - Ending			<u>\$ 33,823,264</u>

The notes to the financial statements are an integral part of this statement.

Pierce County Fire Protection District No. 6  
 Central Pierce Fire & Rescue  
 Balance Sheet  
 Governmental Funds  
 December 31, 2015

<b>ASSETS and OUTFLOWS of RESOURCES</b>	<b>General (001)</b>	<b>Special Revenue (101)</b>	<b>Capital Projects (301)</b>	<b>Other - Debt Fund (201)</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 3,264,286	\$ 171,732	\$ 199,081	\$ 13,553	\$ 3,648,652
Investments	14,650,915	2,925,155	13,919,630	140,000	31,635,700
Taxes Receivable	425,046	212,432	-	51,917	689,395
Accounts Receivable	532,858	666,494	17,166	-	1,216,518
Due From Other Governments	358,005	3,072	-	-	361,077
Interest Receivable	77	-	219	1	297
Inventories	264,101	47,814	-	-	311,915
Restricted Asset: Unclaimed Property	-	193	-	-	193
Total Assets	<u>\$ 19,495,288</u>	<u>\$ 4,026,892</u>	<u>\$ 14,136,096</u>	<u>\$ 205,471</u>	<u>\$ 37,863,747</u>
Total Assets and Deferred Outflows of Resources	<u>19,495,288</u>	<u>4,026,892</u>	<u>14,136,096</u>	<u>205,471</u>	<u>37,863,747</u>
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>					
Liabilities:					
Accounts Payable	700,843	182,329	80,215	-	963,387
Total Liabilities	<u>\$ 700,843</u>	<u>\$ 182,329</u>	<u>\$ 80,215</u>	<u>\$ -</u>	<u>\$ 963,387</u>
Deferred Inflows of Resources					
Property Taxes	\$ 397,558	\$ 197,969		\$ 48,313	\$ 643,840
Unclaimed Property	-	193			193
Interest - GO Bond			202		
Charges for Service	437,386	396,229			833,615
Total Deferred Inflows of Resources	<u>\$ 834,945</u>	<u>\$ 594,391</u>	<u>\$ 202</u>	<u>\$ 48,313</u>	<u>\$ 1,477,851</u>
Fund Balances:					
Nonspendable:					
Inventories	\$ 264,101	\$ 47,814			\$ 311,915
Restricted for:					
General Obligation Bond			\$ 14,055,679		14,055,679
Debt service				157,158	157,158
Unclaimed Property	-	193			193
Committed to:					
Equipment Replacement	4,193,468				4,193,468
Reserve	1,195,860				1,195,860
Facilities	130,560				130,560
Emergency medical transport		663,289			663,289
Assigned to:					
Minimum cash flow requirement	8,500,000				8,500,000
Emergency medical services		2,538,876			2,538,876
Unassigned:	3,675,511				3,675,511
Total fund balances	<u>\$ 17,959,500</u>	<u>\$ 3,250,172</u>	<u>\$ 14,055,679</u>	<u>\$ 157,158</u>	<u>\$ 35,422,509</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,495,288</u>	<u>\$ 4,026,892</u>	<u>\$ 14,136,096</u>	<u>\$ 205,471</u>	<u>\$ 37,863,747</u>

The notes to the financial statements are an integral part of this statement.

## Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position

**Total Fund Balances:** \$ 35,422,509

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,105,496	
Work in progress	5,456,027	
Other capital assets, net of accumulated depreciation	17,591,266	
Total capital assets		24,152,789

Deferred outflow and inflow of resources for Pension Plan Assets,  
Liabilities and Changes in Proportions are not reported in the funds:

Pension Plan Asset	9,677,841	
Pension Plan Liability	(1,777,049)	
Changes in Proportions	(819,321)	
Total deferred outflow and inflow of resources		7,081,471

Some of the District's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows in the funds. These revenues consist of:

Taxes - regular levy	397,558	
Taxes - EMS levy	197,969	
Taxes - General Obligation Bonds	48,313	
Fire Benefit Charge	437,386	
Accounts receivable - transports	396,229	
Interest - General Obligation Bonds	202	
Unclaimed property	193	
Total revenues		1,477,850

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Capital Lease	(651,083)	
General Obligation Bond	(15,590,000)	
Premium on General Obligation Bond	(1,061,368)	
Compensated absences	(6,599,494)	
Other Post-Employment Benefits	(10,409,411)	
Total long-term liabilities		(34,311,356)

Total net position of governmental activities \$ 33,823,263

*The notes to the financial statements are an integral part of this statement.*

Pierce County Fire Protection District No. 6  
Central Pierce Fire & Rescue  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For Year Ended December 31, 2015

	General (001)	Special Revenue (101)	Capital Projects (301)	Other - Debt Fund (201)	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 16,829,576	\$ 7,525,924		\$ 2,503,528	\$ 26,859,028
Licenses and Permits	39,115	-			39,115
Charges for Service	15,498,809	5,048,213			20,547,022
Intergovernmental Revenues	1,169,732	1,898			1,171,630
Investment Interest	19,452	674	16,969	952	38,046
Miscellaneous	78,789	901			79,690
Total Revenues	<u>33,635,472</u>	<u>12,577,611</u>	<u>16,969</u>	<u>2,504,479</u>	<u>48,734,532</u>
<b>EXPENDITURES</b>					
Current:					
Security of Persons & Property	32,629,724	11,932,554	366,495	-	44,928,773
Debt Service:					
Principal				1,720,000	1,720,000
Interest				723,213	723,213
Bond issuance costs				55	55
Capital Outlay:	1,059,028	-	4,774,741	-	5,833,769
Total Expenditures	<u>33,688,752</u>	<u>11,932,554</u>	<u>5,141,235</u>	<u>2,443,267</u>	<u>53,205,809</u>
Excess (Deficiency) of Revenues over Expenditures	(53,280)	645,057	(5,124,267)	61,212	(4,471,277)
<b>OTHER FINANCING SOURCES (USES)</b>					
General Obligation Bond Issue	-		-		-
Premium on General Obligation Bond	-		-		-
Capital Lease	651,083				651,083
Sale of Capital Assets	155,700				155,700
Insurance Recovery	39,317	-		-	39,317
Total other financing sources (uses)	<u>846,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>846,100</u>
Net change in fund balances	792,821	645,057	(5,124,267)	61,212	(3,625,177)
Fund Balance - beginning	17,166,679	2,605,115	19,179,946	95,945	39,047,685
Fund Balance - ending	<u>\$ 17,959,500</u>	<u>\$ 3,250,172</u>	<u>\$ 14,055,679</u>	<u>\$ 157,157</u>	<u>\$ 35,422,508</u>

The notes to the financial statements are an integral part of this statement.

## Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities:

**Net change in fund balances** **\$ (3,625,177)**

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,833,769	
Depreciation	(931,150)	
Total capital assets		4,902,619

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) to decrease net assets.		(316,229)
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The issuance of long-term debt (i.e. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has effect on net position. Also, government funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

1,130,846

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes - regular levy	(82,838)	
Property taxes - EMS levy	(42,147)	
Property Taxes - General Obligation Bonds	6,760	
Fire Benefit Charge	(74,071)	
Accounts receivable - transports	40,398	
Unclaimed Property	193	
State of Washington Special Funding Contribution to Pensions	884,471	
Total revenues		732,767

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(239,023)	
Other Post-Employment Benefits (OPEB)	(1,717,431)	
Changes in Proportions related to Net Pension Asset/Liability	825,592	
		(1,130,861)

Change in net position of governmental activities		<u><u>\$ 1,693,964</u></u>
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*The notes to the financial statements are an integral part of this statement.*

Pierce County Fire Protection District No. 6  
Central Pierce Fire & Rescue  
Statement of Fiduciary Net Position  
December 31, 2015

	Employee Health Reimbursement and Flexible Spending Account	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	107,041
Total Assets		<u>107,041</u>
<b>NET POSITION</b>		
Held in Trust for employee Health Reimbursement Account (HRA) and Flexible Spending Account (FSA)		107,041
Total net position	\$	<u>107,041</u>

*The notes to the financial statements are an integral part of this statement.*



Pierce County Fire Protection District No. 6  
 Central Pierce Fire & Rescue  
 Statement of Changes in Fiduciary Net Position  
 For the Year Ended December 31, 2015

	Employee Health Reimbursement and Flexible Spending Account
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 92,000
Plan Members	\$ 36,150
Total contributions	<u>128,150</u>
<b>DEDUCTIONS</b>	
Benefits	79,110
Refunds of Contributions	
Rolled over to VEBA	
Total deductions	<u>79,110</u>
Change in net position	49,040
Net position - beginning	58,001
Net position - ending	<u>\$ 107,041</u>

*The notes to the financial statements are an integral part of this statement.*

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pierce County Fire Protection District No. 6 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

#### *A. Reporting Entity*

Pierce County Fire Protection District No. 6 was incorporated in February 1996 as a result of a merger between Fire Districts No. 6, No. 7, and No. 9. The City of Puyallup annexed into the Fire District January 2009 and Pierce County Fire Protection District No. 11 merged into Pierce County Fire Protection District No. 6 in September 2009.

The District operates under Revised Code of Washington Title 52 and provides 24-hour emergency medical and fire suppression protection to approximately 205,000 citizens in the Parkland, Spanaway, Midland, Summit, Frederickson, and South Hill areas of Pierce County as well as the City of Puyallup.

The District is governed by a Board of Fire Commissioners, consisting of five elected members for a period of six years. The Board of Fire Commissioners has the statutory authority to adopt and modify the budget, levy taxes, control all assets, sign contracts, and authorize borrowing or debt issuances. The Board of Fire Commissioners appoints the Fire Chief to manage the day-to-day operations of the District. The Fire Chief is accountable to the Board of Fire Commissioners for the activities being managed.

The District is the primary, special purpose government responsible for all fire protection within its service areas. As a result, all significant activities have been included in the government-wide financial statements. The District's financial statements represent those of a stand-alone government, as there are no component units.

#### *B. Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Interfund activity has been removed from these statements. The District only participates in and reports on governmental activities which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Our policy is to allocate indirect costs to a specific function.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### *C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. The District considers property taxes as available if they are collected within 30 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes and interest within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General (or current expense) Fund is the District's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. Principal sources of revenues are regular property taxes, charges for services (fire benefit charge), and earnings on investments. Primary expenditures are personnel, materials and services, and capital outlay related to District administrative activities and activities related to fire suppression.

The Emergency Medical Services (EMS) special revenue fund is used to account for the proceeds of specific revenue sources or other earmarked revenue sources that are legally restricted to expenditures for specified purposes. Principal sources of revenue are the EMS levy and transport fees. Interest income on investment activities in this fund are included as revenue in the general fund. Primary expenditures are personnel, materials and services, and capital outlay related to emergency medical services.

The Capital Projects Fund, new in 2013, was established to account for capital facilities and equipment projects. Principal sources of revenue are bond proceeds, with related investment earnings recorded in the capital project fund as well.

Additionally, the District reports on two other funds:

The Debt Service fund typically accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District paid off its debt in 1999, but in 2013 issued unlimited-tax general obligation bonds. Principal sources of revenue in 2013 were interest earnings on investments, but will include excess levy collection in 2014.

The Employee Benefit Trust fund is used to account for employee annual FSA (flexible spending account), and HRA (health reimbursement account) funds in trust for third party administration. Fiduciary funds are not included in the Government-Wide financials.

As a general rule, the effect of the interfund activity has been eliminated for the government-wide financial statements.

Amounts reported as program revenue include 1) charges to customers for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than program revenues. General revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. When unrestricted resources are available for use, it is the District's policy to use committed resources first followed by assigned resources then unassigned resources.

#### *D. Budgetary Information*

##### *1) Scope of Budget*

Annual appropriated budgets are adopted for the general fund, special revenue fund, and capital projects fund on the modified accrual basis of accounting. Budgets for the debt service fund are not required, but are adopted as well.

Budgets are adopted at the level of the fund and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year end with the exception of capital expenditures. Accordingly, encumbrances outstanding at year-end must be absorbed within budget appropriations for the next year. Outstanding non-capital encumbrances for governmental funds are not material at year-end.

##### *2) Amending the Budget*

The Fire Chief is authorized to transfer budgeted amounts between line items within divisions. Budget adjustments between divisions are informally approved by the Board of Fire Commissioners; 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 formally approved via budget amendment Resolution by the Board of Fire Commissioners.

When the Board of Fire Commissioners determines that it is in the best interest of the District to increase or decrease the appropriation for a particular fund, it may do so by resolution approved by the majority.

The budgetary comparisons contain the original and final budget information as revised during the year. The original budget is the first complete appropriated budget. The final budget is the

original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

#### *E. Assets, Liabilities, Fund Balance, Net Position, or Equities*

##### **1) Cash and Cash Equivalents**

It is the District's policy to invest all temporary cash surpluses. At December 31, 2015, the Pierce County treasurer was holding \$ 25,284,352 in short-term investments and surplus cash, and \$10,000,000 in long-term investments. This amount is classified on the balance sheet as cash, cash equivalents, and investments in various funds. The interest on these investments is credited to the general fund except for the debt service and capital projects funds.

The amounts reported as cash and cash equivalents do not contain any compensating balances as the District is not currently required to maintain reserves for this liability.

##### **2) Investments - See Note 3, Deposits and Investments**

##### **3) Receivables**

Taxes receivable consists of the regular property tax levy and the EMS tax levy (See *Property Taxes Note No. 4*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

The District levies one special assessment, the Fire Benefit Charge, and it is recorded when levied. Special assessments receivable consists of current and delinquent assessments. Deferred assessments on the fund financial statements consist of uncollected special assessments that are liens against the property benefited. As of December 31, 2015, \$437,386.36 of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

##### **4) Inventories**

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

All inventories are valued at cost using the first-in/first-out (FIFO) method.

##### **5) Capital Assets – See Note 5, Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for buildings, and an estimated useful life in excess of 1 year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The total interest expense incurred by the District during the current fiscal year is \$0.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	Not depreciated
Buildings	30 - 75 Years
Vehicles and emergency apparatus	15 - 30 Years
Machinery and Equipment	5 - 20 Years
Intangibles	20 Years

#### 6) Deferred Outflows/Inflows of Resources

The table below provides details of the deferred inflow of resources as provided on the fund financials:

<b>Deferred Outflows/Inflow of Resources as of December 31, 2015</b>				
Deferred inflow:	General Fund (001)	EMS SRF (101)	GO Debt Fund (201)	Pension
Property Taxes	\$ 397,558	\$ 197,969	\$ 48,313	\$ -
Fire Benefit Charge	437,386	-	-	-
Medical Transports	-	396,229	-	-
Interest – GO Bonds	-	-	202	-
Unclaimed Property	-	193	-	-
NPA, Liability & Change in Proportions	-	-	-	7,081,471
	834,944	594,391	48,515	7,081,471

#### 7) Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and compensatory time. All vacation, sick, and compensatory time is accrued when incurred in the government-wide financial statements. The liability for compensated absences consists of unpaid leave and the District portion of related payroll taxes.

All vacation pay and compensatory time is 100% payable upon resignation, retirement, or death, while sick leave is payable at 25%.

#### 8) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 9) Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

#### 10) Long-Term Debt – *See Note 10, Long-Term Debt*

#### 11) Fund Balance Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Fire Commissioners through a resolution are classified as committed fund balances.

Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made and authorized by the Fire Chief based on Board direction. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

#### 12) Minimum Fund Balance

The District's policy is to strive to maintain a minimum unassigned fund balance in its General Fund of 5 percent of subsequent years budgeted expenditures. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts, revenue shortfalls, or minor economic downturns.

#### F. Other

##### 1) Post-Employment Benefits – *See Note 11, OPEB*

Lifetime full medical coverage is provided to full-time firefighters who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. During 2008, the District adopted current financial reporting standards to measure and report the costs of this benefit program (see Note 11 *Other Postemployment Benefit Plans*). Accordingly, a liability for the accumulated unfunded actuarially required contribution is reported in the statement of net position. Actual medical benefit costs are reported as expenditures in the year incurred.

## NOTE 2 – ACCOUNTING AND REPORTING CHANGES

GASB has issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement was required to be adopted for reported periods beginning after June 15, 2014. This Statement requires individual employers contributing to group plans to report a pro-rata share of the net plan liability. The District has adopted and recorded these changes in its financial statements for the year ended December 31, 2015. The cumulative effect of prior year amounts has been reflected as a cumulative adjustment to net position in the Statement of Revenues, Expenses and Changes in Net Position in 2015.

GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The effective date for this Statement was simultaneous with the required adoption of Statement No. 68. This Statement specifically addressed the recording and reporting of pension plan contributions made subsequent to the measurement date of plan liabilities and changed thereto in any given fiscal year. The District adopted the provision of this Statement, as it did for Statement No. 68, in the year ended December 31, 2015.

These new accounting standards had significant effects on the financial statements. As a result the District restated the 2015 Government Wide Statement of Activities reflecting these adjustments to Net Position:

<b>Adjustments Related to GASB Nos. 68 and 71</b>	<b>Governmental Activity</b>
Adjustment for Net Pension Liability	\$ 1,777,049
Adjustment for Net Pension Asset	(9,677,841)
Deferred Outflow - Contributions made after the prior year's pension measurement date but before the prior year's financial reporting date	(2,347,102)
Deferred Inflow - Difference between expected and actual prior year pension earnings	3,166,423
Pension Expense	825,592
Washington State Contributions-LEOFF2 special funding situation	884,471
Increase to Net Position due to GASB 68 and 71	(5,371,408)

See Note 6 –Defined Benefit Pension Plans for detailed disclosures about the District's pension plans.

### NOTE 3 – DEPOSITS AND INVESTMENTS

#### *A. Deposits*

The District's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

#### *B. Investments*

As of December 31, 2015, the District had the following investments:

Investment Type	Total Fair Value	Investment Maturities (in months)		
		Less than 1	Less than 2	Less than 3
Pierce County Treasurer – Invested in US Agency Coupon	\$ 10,000,000		\$10,000,000	
Pierce County Treasurer – Invested in LGIP.	\$ 21,635,700	\$21,635,700	-	-
Total	\$ 31,635,700	\$21,635,700	\$10,000,000	\$ -

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the District would not be able to recover the value of the investment or collateral securities. Pierce County acts as the Treasurer for the District. The County's investment policy limits deposits in any single financial institution to 20% of the non-trustee portfolio to minimize custodial credit risk.



## NOTE 4 – PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The District may levy a regular tax up to \$1.00 per \$1,000 of assessed valuation for general governmental and fire protection services. The District may also levy an EMS tax up to \$.50 per \$1,000 of assessed valuation for emergency medical services.

The District's regular levy for 2015 was \$1.00 per \$1,000 on an assessed valuation of \$16,720,341,168 for a total regular levy of \$16,720,341. The District's EMS levy for 2015 was \$.50 per \$1,000 on an assessed valuation of \$16,720,341,168 for a total EMS levy of \$8,360,171.

Special levies approved by the voters are not subject to the limitations listed above. In 2015 the District levied an additional \$0.15177 per \$1,000 for general obligation bonds, for a total levy of \$2,510,000.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the levy rates.

**NOTE 5 – CAPITAL ASSETS***A. Capital Assets*

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Governmental Activities				
Capital assets, not being depreciated:				
Land	1,141,650	-	(36,154)	1,105,496
Work in Progress	1,285,703	4,838,908	(668,584)	5,456,027
Total capital assets not being depreciated	2,427,353	4,838,908	(704,738)	6,561,523
Capital assets, being depreciated:				
Buildings	13,662,383	-	-	13,662,383
Machinery and equipment	13,054,239	1,663,445	(549,143)	14,168,541
Intangible	852,575	-	-	852,575
Total capital assets being depreciated	27,569,197	1,663,445	(549,143)	28,683,499
Less accumulated depreciation for:				
Bldg Depr	(3,459,870)	(225,531)	-	(3,685,401)
Machinery and Eq Depr	(6,613,584)	(658,481)	269,068	(7,002,997)
Intangible Depr	(356,694)	(47,138)	-	(403,832)
Total Accumulated Depreciation	(10,430,148)	(931,150)	269,068	(11,092,230)
Total capital assets, being depreciated, net	17,139,049	732,295	(280,075)	17,591,269
Governmental activities capital assets, net	19,566,402	5,571,204	(984,813)	24,152,792

*B. Collections Not Capitalized*

The District owns a 1935 Kenmore fire engine and considers it to be a historical treasure to the fire service. The engine is kept in a secure location and is displayed once a year during the annual Daffodil Parade. It is adequately maintained with the intent of keeping it for display purposes indefinitely. The District does not intend to replace this asset if it is impaired beyond repair.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$1,777,049
Pension assets	\$9,677,841
Deferred outflows of resources	\$2,347,102
Deferred inflows of resources	\$3,166,423
Pension expense/expenditures	\$(825,592)

## State Sponsored Pension Plans

Substantially all District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), 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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

## Public Employees' Retirement System (PERS) Plans 1, 2, and 3

### Plan Description

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

\* For employees participating in JBM, the contribution rate was 12.26%

The District's actual contributions to the plan were \$93,900, for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

\* For employees participating in JBM, the contribution rate was 15.30%

The District's actual contributions to the plan were \$120,551 for the year ended December 31, 2015.

### Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

#### Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### Contributions

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The District's actual contributions to the plan were \$1,370,877 for the year ended December 31, 2015.

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. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

### Sensitivity of NPA

The table below presents the District's proportionate share\* of the net pension asset calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 934,586	\$ 944,026	\$ 953,466
PERS 2/3	824,693	833,023	841,353
LEOFF 1	(294,689)	(297,665)	(300,642)
LEOFF 2	(9,286,374)	(9,380,177)	(9,473,978)

### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions



At June 30, 2015, the District reported a total pension liability of \$ for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 944,026
PERS 2/3	833,023
LEOFF 1	(297,665)
LEOFF 2	(9,380,177)

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the District were as follows:

	<b>Liability (or Asset)</b>
LEOFF 2 – employer’s proportionate share	(9,380,177)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	
TOTAL	

At June 30, the District’s proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS 1	0.017819%	0.018047%	1.28%
PERS 2/3	0.022942	0.023314	1.62
LEOFF 1	0.024494	0.024698	0.83
LEOFF 2	1.020015	0.912646	-10.53

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.



The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, the District recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ (25,166)
PERS 2/3	(18,470)
LEOFF 1	(60,421)
LEOFF 2	(721,535)
<b>TOTAL</b>	<b>(825,592)</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 51,649
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$51,482	\$
Contributions subsequent to the measurement date	\$	\$
<b>TOTAL</b>	<b>\$51,482</b>	<b>\$51,649</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$88,551	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$222,378
Changes of assumptions	\$1,342	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$11,970	\$
Contributions subsequent to the measurement date	\$67,209	\$
<b>TOTAL</b>	<b>\$169,072</b>	<b>\$222,378</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 50,252
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$	\$
<b>TOTAL</b>	<b>\$0</b>	<b>\$50,252</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$821,391	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$2,842,144
Changes of assumptions	\$24,742	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$562,733	\$
Contributions subsequent to the measurement date	\$717,682	\$
<b>TOTAL</b>	<b>\$2,126,548</b>	<b>\$2,842,144</b>

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
Thereafter	\$0

<b>Year ended December 31:</b>	<b>PERS 2</b>
2016	\$3,520
2017	\$3,520
2018	\$3,520
2019	\$1,410
2020	\$0
Thereafter	\$0

<b>Year ended December 31:</b>	<b>LEOFF 1</b>
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
Thereafter	\$0

<b>Year ended December 31:</b>	<b>LEOFF 2</b>
2016	\$108,218
2017	\$108,218
2018	\$108,218
2019	\$108,218
2020	\$108,218
2021	\$21,643
Thereafter	\$0

#### NOTE 7 – RISK MANAGEMENT

The District purchases property and liability insurance on an annual basis effective October 1st of each year.

Property insurance consists of guaranteed replacement cost, special risk coverage including earthquake and flood on all real and personal property including portable firefighting equipment. There is a \$10,000 single occurrence deductible per loss. However, the deductible for earthquake and flood is \$1,000 per occurrence.

Physical damage coverage for fleet equipment differs for vehicles classed as either emergency service apparatus or those classed as private passenger type vehicles. Emergency Service Vehicles are covered on an agreed amount basis per the schedule in the insurance contract with a \$5,000 deductible. Private Passenger type vehicles are covered on an actual cash value basis with a \$2,000 collision and a \$2,000 comprehensive deductible. Vehicle liability (\$1,000,000 combined single limit) includes liability coverage for all vehicles including non-owned and hired autos.

Portable equipment is covered with a \$5,000 deductible and guaranteed replacement cost. Earthquake and flood coverage provides a per occurrence and annual aggregate at each location of \$1,000,000, with an excess coverage endorsement of \$10,000,000 of Earthquake coverage to be utilized for all locations.

Employee Dishonesty Coverage is \$1,000,000 with no deductible. Liability coverage includes general liability, medical malpractice, personal injury and completed operations. Coverage also provides Directors and Officers liability and Employment Practices Liability coverage. The basic limits for all the above described liability coverage is \$1,000,000 per occurrence and \$10,000,000 Aggregate. The District purchases a \$10,000,000 Occurrence/\$20,000,000 Aggregate Umbrella liability policy which covers and adds to the \$1,000,000 basic liability coverage above. There are no liability deductibles and all defense costs, if any, are in addition to the policy limits.

Settlements have not exceeded coverages for each of the past three fiscal years.

## NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

For governmental activities, claims, other postemployment benefit obligations, and compensated absences are generally liquidated by the general fund. GO Bond debt is liquidated from the Debt Fund.

	<b>Beginning Balance 1/1/15</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/15</b>	<b>Due Within One Year</b>
OPEB	8,986,923	1,422,488	\$ -	10,409,411	-
Compensated Absences	6,360,777	701,527	462,810	6,599,494	158,335
GO Bond - Voted	17,310,000	-	1,720,000	15,590,000	1,795,000
GO Bond - Voted (Premium)	1,123,298		61,930	1,061,368	
Capital Lease	-	651,083	-	651,083	102,426
<b>Total Long-Term Liabilities</b>	<b>33,780,998</b>	<b>2,775,098</b>	<b>2,244,740</b>	<b>34,311,356</b>	<b>2,055,761</b>

## NOTE 9 – CONTINGENCIES AND LITIGATIONS

The District has recorded in its financial statements all material liabilities. There are no situations known to the District that are not yet resolved but where, based on available information, management believes it is probable that the District will have to make payment. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

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

## NOTE 10 – LEASES

### A. Capital Lease

The District has entered into a lease agreement for financing a fire engine with no down payment.

This lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

<b>Asset</b>	<b>Governmental Activity</b>
Ferrara Engine*	\$ 785,534
Less Accumulated Depreciation	(7,855)
<b>Total</b>	<b>\$ 777,679</b>

\*The gross capital cost of the engine is \$785,534, although only \$651,083 principal was financed with a capital lease.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2015 were as follows:

<b>Asset</b>	<b>Governmental Activity</b>
2016	\$ 102,426
2017	102,426
2018	102,426
2019	102,426
2020	102,426
2021	102,426
2022	102,423
Total Minimum Lease Payments	716,979
Less Interest	(65,896)
Present Value of Minimum Lease Payments	\$ 651,083

#### NOTE 11 - LONG-TERM DEBT

The District issues general obligation bonds to finance general government activities including land acquisition, station construction and remodel, and the purchase of life-safety apparatus. Voters approved \$39,800,000 in general obligation bonds in November of 2013. The first \$18,995,000 was issued on December 9, 2013, with a second issue planned for the balance of the voter authorization in the near future. General obligation bonds have been issued for general government activities and are being repaid from the applicable resources.

General Obligation bonds currently outstanding are as follows:

<b>Issue &amp; Purpose</b>	<b>Date of Issue</b>	<b>Maturity Dates</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Amount of Installment</b>
UTGO 2013 – Capital Improvements	12-9-13	12-1-14 to 12-01-33	3.0% to 4.625%	\$18,995,000	Varies

The annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year End 12/31</b>	<b>Govt'l Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2016	1,795,000	654,412
2017	1,070,000	582,612
2018	550,000	539,812
2019	570,000	517,813
2020	590,000	495,013
2021-2025	3,395,000	2,107,663
2026-2030	4,620,000	1,313,175
2031-2033	3,000,000	266,250
Total	\$ 15,590,000	\$ 6,476,750

At December 31, 2015, the District has \$157,158 available in debt service funds to service the general bonded debt.

## NOTE 12 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

*A. LEOFF I Retiree Healthcare Plan*

In 2008 the District elected to adopt the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the District to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities.

Instead of recording expense on a "pay-as-you-go" basis, the District recorded a liability of approximately \$918,117 for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. The other noncurrent liabilities in the accompanying December 31, 2014 statement of net position include this liability. The effect for the current fiscal year was to decrease the District's excess of revenue over expenses for the year ended December 31, 2015 by approximately \$31,851.

**Plan Description** The District Medical Plan for LEOFF I Retirees (the Health Plan) is a single-employer defined-benefit healthcare plan administered by the District. The Health Plan provides medical and pharmacy benefits to eligible retirees. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

**Funding Policy** There are no required retiree contributions, LEOFF I Retirees are funded solely by the District. Spouses pay 100% of their premiums.

For the fiscal year ended December 31, 2015, the District contributed an estimated \$110,572 to the Health Plan. The District's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits.

**Annual OPEB Cost and Net OPEB Obligation** The basis for the District's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following displays the components of the District's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the net OPEB obligation to the Health Plan for the year ended December 31, 2015:

**Components of Other Postemployment Employee Benefit Plan – LEOFF I  
At December 31, 2015**

<u>Determination of Annual Required Contribution</u>	
Normal cost – Unit Credit Method	\$ -
Amortization of UAAL	177,200
Annual Required Contribution (ARC)	<u>\$ 177,200</u>
<u>Determination of Net OPEB Obligation</u>	
Interest on prior year Net OPEB Obligation	1,413
Adjustment to ARC	(36,190)
Annual OPEB Cost	\$ 142,423
Contributions made	(110,572)
Increase in Net OPEB Obligation	31,851
Net OPEB Obligation – Beginning of Year	886,266
Net OPEB Obligation – End of Year	<u>\$ 918,117</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation follow:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of OPEB cost Contributed	Net OPEB Obligation
12/31/2012	\$ 52,551	\$ 80,886	153.9%	\$ 893,304
12/31/2013	52,462	88,540	168.8%	857,226
12/31/2014	142,656	113,616	79.6%	886,266
12/31/2015	142,423	110,572	77.6%	918,117

The \$918,117 net OPEB obligation (as of the most recent valuation date) is included as a liability in the government-wide statement of net position.

**Funded Status and Funding Progress** The funded status of the Health Plan as of December 31, 2015, follows:

As of December 31, 2015, the AAL for benefits was \$4,231,588, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$216,455 and the ratio of the UAAL to the covered payroll was 1,955%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** The basis for projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the District and members of the Health Plan) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and Members of the Health Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2015 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 0.1594% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 8.00% for medical, reduced by decrements to the ultimate rate of 3.8% after 61 years. The excise tax threshold is assumed to stay constant until 2018, at which point it increases by 4.24%. All future increases for the excise tax are 3.24%. All trend rates include a 3.0% inflation assumption. Medicare premiums are assumed to increase 6.50% for the first year and reduce to an ultimate trend of 3.80%. Dental premiums are assumed to increase 5.00% for the first year and reduce to an ultimate trend of 3.50%. Vision premiums are assumed to increase 4.00% and reduce to an ultimate trend of 3.50%. The UAAL is recalculated each year and amortized as a level dollar amount on a closed basis over 25 years.

#### *B. LEOFF II Retiree Health Care Plan*

During the year ended December 31, 2010, the District elected to adopt the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the District to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities.

Instead of recording expense on a "pay-as-you-go" basis, the District recorded a liability of approximately \$9,491,294 for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. The other noncurrent liabilities in the accompanying December 31, 2015 statement of net position include this liability. The effect of GASB No. 45 for the current fiscal year was to decrease the District's excess of revenue over expenses for the year ended December 31, 2015 by approximately \$1,390,637.

**Plan Description** The District Medical Plan for LEOFF II Retirees (the Health Plan) is a single-employer defined benefit healthcare plan administered by the District. The Health Plan provides a defined contribution amount (the Base Rate) to eligible retirees. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

**Funding Policy** Retirees pay the difference between the Base Rate and the current premium. The base rate is reduced by 10% per year for each year worked after age 59. In addition, there are two grandfathered retirees with a flat employer contribution to their medical plan of \$600 per month. Those retirees pay the difference between the premium and \$600. After Medicare eligibility, retirees pay 100% of the premium. Spouses pay 100% of premiums at all ages.

For the fiscal year ended December 31, 2015, the District contributed an estimated \$189,823 to the Health Plan. The District's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits.

**Annual OPEB Cost and Net OPEB Obligation** The basis for the District's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, we project will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following displays the components of the District's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the net OPEB obligation to the Health Plan for the year ended December 31, 2015:

<b>At December 31, 2014</b>	
<u>Determination of Annual Required Contribution</u>	
Normal cost —Unit Credit Method	\$ 1,222,373
Amortization of unfunded actuarial accrued liability (UAAL)	675,959
ARC	<u>\$ 1,898,332</u>
<u>Determination of net OPEB Obligation</u>	
ARC	\$ 1,898,332
Interest on net OPEB obligation	12,912
Adjustment to annual required contribution	(330,784)
Annual OPEB cost (expense)	\$ 1,580,460
Contributions made	(189,823)
Increase in net OPEB obligation	\$ 1,390,637
Net OPEB obligation — beginning of year	8,100,657
Net OPEB obligation — end of year	<u>\$ 9,491,294</u>



The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation follow:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>Percentage of OPEB cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2013	\$1,365,875	\$79,950	5.9%	\$6,654,092
12/31/2014	\$1,596,252	\$149,687	9.4%	\$8,100,657
12/31/2015	\$1,580,460	\$189,823	12.0%	\$9,491,294

The funded status of the Health Plan as of December 31, 2014 is as follows:

Actuarial accrued liability (AAL) — Unit Credit	\$17,665,094
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$17,665,094</u>
Funded ratio (actuarial value of plan assets ÷ AAL)	0.0%
Covered payroll	\$27,696,635
UAAL as a percentage of covered payroll	63.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** The basis for projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the District and members of the Health Plan) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and Members of the Health Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2015 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 0.1594% investment rate of return (net of administrative expenses). The Base Rate is assumed to increase by 7.5% for all years. The UAAL is recalculated each year and amortized as a level dollar amount on a closed basis over 25 years.

## NOTE 13 – SUBSEQUENT EVENTS

On May 3, 2016 the District sold second and final bond issue to complete the \$39.8M voter approved bond obligation. The bonds were issued with a principal amount of \$17,780,000, a premium of \$2,124,998.15 and a last maturity date of December 1, 2035. \$19,799,741.80 was deposited in District's capital project funds to finish station builds and remodels per the capital facilities plan.

Pierce County Fire Protection District No. 6  
General Fund (001)  
Budgetary Comparison Schedule (GAAP Basis)  
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, January 1	1,342,220	2,148,267	\$ 17,166,679	
Resources (Inflows):				
Taxes	\$ 16,690,989	\$ 16,720,342	16,829,576	\$ 109,234
Licenses & Permits	25,000	25,000	39,115	14,115
Charges for Service	15,124,195	15,342,794	15,498,809	156,015
Intergovernmental Revenues	992,895	1,373,895	1,169,732	(204,163)
Investment Interest	12,000	12,000	19,452	7,452
Miscellaneous	18,000	18,000	78,789	60,789
Amounts Available for Appropriation	34,205,299	35,640,298	33,635,472	143,441
Charges to Appropriations				
Security of Persons & Property	31,963,079	33,398,078	32,629,724	768,354
Nondepartmental:				
Capital Outlay	2,242,220	2,242,220	1,059,028	1,183,192
Total Charges to Appropriations	\$ 34,205,299	\$ 35,640,298	\$ 33,688,752	\$ 1,951,546
Other Sources/Uses:				
Capital Lease	-	-	651,083	651,083
Sale of Capital Asset	-	-	155,700	155,700
Insurance Recovery	-	-	39,317	39,317
	-	-	\$ 846,100	\$ 846,100
Fund Balance, December 31			\$ 17,959,500	

Pierce County Fire Protection District No. 6  
Special Revenue Fund (101)  
Budgetary Comparison Schedule (GAAP Basis)  
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, January 1	\$ -	\$ -	\$ 2,605,115	
Resources (Inflows):				
Taxes	6,845,494	6,860,172	7,525,924	\$ 665,752
Charges for Service	5,607,000	5,607,000	5,048,213	(558,787)
Intergovernmental Revenues	-	-	1,898	1,898
Investment Interest	-	-	674	
Miscellaneous	-	-	901	901
Amounts Available for Appropriation	12,452,494	12,467,172	12,577,611	109,765
Charges to Appropriations				
Security of Persons & Property	12,452,494	12,467,172	11,932,554	534,618
Nondepartmental:				
Capital Outlay	-	-	-	-
Total Charges to Appropriations	\$ 12,452,494	\$ 12,467,172	11,932,554	\$ 534,618
Fund Balance, December 31			\$ 3,250,172	

## Schedule of Funding Progress - LEOFF I

LEOFF I Retiree Healthcare Plan  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
12/31/2013	\$0	\$2,164,262	\$2,164,262	0.0%	\$200,053	1,081.8%
12/31/2014	\$0	\$4,393,504	\$4,393,504	0.0%	\$210,150	2,090.7%
12/31/2015	\$0	\$4,231,588	\$4,231,588	0.0%	\$216,455	1,955.0%

LEOFF II Retiree Healthcare Plan  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
12/31/2013	\$0	\$14,920,384	\$14,920,384	0.0%	\$26,169,043	57.0%
12/31/2014	\$0	\$16,760,396	\$16,760,396	0.0%	\$26,889,675	62.3%
12/31/2015	\$0	\$17,665,094	\$17,665,094	0.0%	\$27,696,365	63.8%

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System Plan 1 (PERS 1)  
 As of June 30, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
<u>District's proportion of the net pension liability (asset)</u>	0.018047%
<u>District's proportionate share of the net pension liability</u>	944,026
<u>District's covered employee payroll</u>	0
<u>District's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	59.10%

This schedule is intended to show information for the last 10 years however only one year of data is available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Employer Contributions  
 Public Employees' Retirement System Plan 1 (PERS 1)  
 As of December 31, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
Statutorily or contractually required contributions	\$ 93,900
Contributions in relation to the statutorily or contractually required contributions	\$ (93,900)
Contribution deficiency (excess)	<u>\$ 0</u>
Covered employer payroll	\$ 0
Contributions as a percentage of covered employee payroll	0.00%

This schedule is intended to show information for the last 10 years however only one year of data is available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System Plan 2 and 3(PERS 2 & 3)  
 As of June 30, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
<u>District's proportion of the net pension liability (asset)</u>	0.023314%
<u>District's proportionate share of the net pension liability</u>	833,023
<u>District's covered employee payroll</u>	2,231,870
<u>District's proportionate share of the net pension liability as a percentage of covered employee payroll</u> %	267.92%
<u>Plan fiduciary net position as a percentage of the total pension liability</u> %	89.20%

This schedule is intended to show information for the last 10 years however only one year of data is available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Employer Contributions  
 Public Employees' Retirement System Plan 2 and 3(PERS 2 & 3)  
 As of December 31, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
Statutorily or contractually required contributions	\$ 120,551
Contributions in relation to the statutorily or contractually required contributions	\$ (120,551)
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 2,231,870
Contributions as a percentage of covered employee payroll	% 5.40%

This schedule is intended to show information for the last 10 years however only one year of data is available.



**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Proportionate Share of the Net Pension Liability  
 Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF 1)  
 As of June 30, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
<u>District's proportion of the net pension liability (asset)</u>	0.024698%
<u>District's proportionate share of the net pension liability</u>	(297,665)
<u>District's covered employee payroll</u>	270,339
<u>District's proportionate share of the net pension liability as a percentage of covered employee payroll</u> %	-90.82%
<u>Plan fiduciary net position as a percentage of the total pension liability</u> %	127.36%

This schedule is intended to show information for the last 10 years however only one year of data is available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Employer Contributions  
 Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF 1)  
 As of December 31, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
Statutorily or contractually required contributions	\$ 0
Contributions in relation to the statutorily or contractually required contributions	\$ 0
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 270,339
Contributions as a percentage of covered employee payroll	% 0.00%

This schedule is intended to show information for the last 10 years however only one year of data is available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Proportionate Share of the Net Pension Liability  
 Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2)  
 As of June 30, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.912646%
Employer's proportionate share of the net pension liability	(9,380,176)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 884,471
TOTAL	\$
Employer's covered employee payroll	\$ 27,973,303
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	% -33.53%
Plan fiduciary net position as a percentage of the total pension liability	% 111.67%

This schedule is intended to show information for the last 10 years however only one year of data is available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Central Pierce Fire & Rescue  
 Schedule of Employer Contributions  
 Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2)  
 As of December 31, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>
Statutorily or contractually required contributions	\$ 1,370,877
Contributions in relation to the statutorily or contractually required contributions	\$ (1,370,877)
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 27,973,303
Contributions as a percentage of covered employee payroll	% 4.90%

This schedule is intended to show information for the last 10 years however only one year of data is available.

## NOTE 1 – Pension Plan Trend Data

Ten-year historical trend information presented as required supplementary information for pensions is intended to help users assess each pension's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and enable comparisons with other public employee retirement systems.

Analysis of the dollar amounts of plan fiduciary net position, total pension liability, and net pension liability in isolation can be misleading. Providing this information over time provides historical context. Trends in the net pension liability and covered employee payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered employee payroll approximately adjusts for the effects of inflation and aids in the analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the system.

The Schedule of Proportionate Share of Net Pension Liability illustrates whether the District's net position is increasing or decreasing over time relative to the entire pension system's net pension liability. It also shows the District's net pension liability over time as it relates to the District's covered employee payroll in each pension plan.

The Schedule of Employer Contributions provides historical and economic context for the amount of contributions over time as compared to the actuarially required contributions.

**Pierce County Fire Protection District #6  
Schedule of Expenditures of Federal Awards  
For The Year Ended December 31, 2015**

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	Expenditures			Passed through to Subrecipients
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Dept of Homeland Security/ Pass-Through from Pierce County	National Urban Search and Rescue (US&R)	97.025		\$ 10,007		\$ 10,007	\$ -
Dept of Emergency Management	Response System						
U.S. Dept of Homeland Security/ Pass-Through from City of Seattle	Homeland Security Grant Program	97.067		\$ 1,671		\$ 1,671	\$ -
U.S. Dept of Homeland Security/ Pass-Through from West Pierce Fire & Rescue	Assistance to Firefighters Grant	97.044	Communication Equipment	\$ 28,292		\$ 28,292	\$ -
U.S. Dept of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2013-FO-03980		\$ 82,418	\$ 82,418	\$ -
U.S. Dept of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00843		\$ 701,819	\$ 701,819	\$ -
Total Fed Awards Expended				\$ 39,970	\$ 784,236	\$ 824,206	\$ -

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Pierce County Fire Protection District No 6, WASHINGTON  
Central Pierce Fire & Rescue

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the modified accrual basis of accounting for the fund financial statements.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the District's portion, are more than shown.

NOTE 7 – INDIRECT COST RATE

The District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>