



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

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

# **Central Pierce Fire & Rescue**

**For the period January 1, 2018 through December 31, 2018**

**Published September 30, 2019**

**Report No. 1024747**





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

September 30, 2019

Board of Commissioners  
Central Pierce Fire and Rescue  
Spanaway, Washington

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

Please find attached our report on Central Pierce Fire and 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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
Summary Schedule of Prior Audit Findings .....	11
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.....	12
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	15
Independent Auditor's Report on Financial Statements.....	19
Financial Section.....	23
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	38
About the State Auditor's Office.....	40

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Central Pierce Fire and Rescue January 1, 2018 through December 31, 2018

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

The results of our audit of Central Pierce Fire and 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 District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than 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 identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 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>
97.044	Assistance to Firefighters Grant

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

The District did not qualify as a low-risk auditee under the Uniform Guidance.

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

None reported.

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

See finding 2018-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Central Pierce Fire and Rescue January 1, 2018 through December 31, 2018

**2018-001**    **The District did not have adequate internal controls in place to ensure compliance with federal suspension and debarment and procurement requirements.**

<b>CFDA Number and Title:</b>	97.044, Assistance to Firefighters Grant
<b>Federal Grantor Name:</b>	Federal Emergency Management Agency, Department of Homeland Security
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Pierce County Fire Protection District No. 3
<b>Pass-through Award/Contract Number:</b>	EMW-2017-FV-00904; EMW-2016-FO-03807; EMW-2016-FR-000151
<b>Questioned Cost Amount:</b>	\$0

#### ***Background***

The purpose of the Assistance to Firefighters Grant is to help fire departments and nonaffiliated emergency medical service organizations meet firefighting and emergency response needs through providing funding for resources necessary in protecting public and emergency personnel from fire and related hazards. During fiscal year 2018, the District spent \$1,476,820 in Assistance to Firefighters Grant funds awarded by the Federal Emergency Management Agency of the Department of Homeland Security, with partial funds passed through by Pierce County Fire Protection District No. 3. The District used program funding to purchase training supplies, pay tuition for paramedic training classes for several employees, and procure a new heavy rescue apparatus.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

## *Description of Condition*

### *Suspension and debarment*

Federal requirements prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. To comply with this requirement, the District must verify that contractors receiving \$25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor or inserting a clause in the contract in which the contractor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Service Administration. The District must meet this requirement before entering into the contract and maintain documentation to demonstrate compliance.

The District's internal controls were not effective to ensure it complied with federal suspension and debarment requirements for all contracts of \$25,000 or more. The District did not obtain a written certification, insert a clause into a contract, or review EPLS to verify one contractor was not suspended or debarred from participating in federal programs. The District paid this contractor \$734,507 during fiscal year 2018.

We consider this control deficiency to be material weakness.

This issue was not reported as a finding in the prior audit.

### *Procurement and standards of conduct procedures*

Federal regulations require grant recipients to establish and follow their own written procedures, which must reflect applicable federal, state and local laws. The procedures must conform to federal procurement thresholds and procedures to ensure recipients follow the most restrictive of federal, state or local procurement methods when using federal funds. The District had an established policy that addressed state and local procurement requirements but did not include applicable federal requirements.

Federal grant regulations also require recipients to maintain written standards of conduct covering conflicts of interest and governing the actions of employees engaged in the selection, award or administration of contracts procured with federal funds. The District did not have a written standards of conduct procedure governing the actions of employees engaged in the selection, award or administration of federal contracts, as required.

As a compensating control, the District contracted with its attorney to review procurement transactions to ensure compliance with federal procurement requirements.

We consider this control deficiency to be significant deficiency.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

#### ***Suspension and debarment***

The District knew of the requirement, but relied on a purchasing cooperative to comply with federal suspension and debarment requirements. The District did not recognize its purchase as a separate covered transaction nor that it needed to independently ensure the vendor was not suspended or debarred. Under federal guidelines, the District must verify that a contractor is not suspended or debarred from doing business with the federal government before entering into a new covered transaction, which includes entering into a contract with a vendor that was procured through a purchasing cooperative.

#### ***Procurement and standards of conduct procedures***

The District lacked understanding of the required federal components for written procurement and standards of conduct procedures, and did not ensure that its policies conformed to the federal procurement thresholds and procedures and standards of conduct requirements.

### ***Effect of Condition and Questioned Costs***

#### ***Suspension and debarment***

Without adequate internal controls over suspension and debarment requirements, the District cannot guarantee federal funds are paid to contractors that are eligible to participate in federal programs. Any payment of program funds made to an ineligible party would be unallowable and subject to recovery by the funding agency.

We verified that the contractor was not suspended or debarred on the U.S. General Services Administration's award management website, [www.sam.gov](http://www.sam.gov). Therefore, we are not questioning costs for these payments.



### *Procurement and standards of conduct procedures*

Without written procedures that address federal requirements, the District cannot ensure it will comply with federal procurement and standards of conduct requirements when procuring contractors paid with federal funds. Although policies addressing all federally required material were not in place, the District complied with federal requirements to procure equipment through a purchasing cooperative using federal funds.

### ***Recommendations***

#### *Suspension and debarment*

We recommend the District strengthen its internal controls to ensure that all contractors it expects to pay \$25,000 or more in federal funds are not suspended or debarred from participating in federal programs.

#### *Procurement and standards of conduct procedures*

We recommend the District establish internal controls to ensure it meets federal procurement requirements by updating its written procurement and standards of conduct policies or procedures to conform to federal procurement requirements and communicate these requirements to District staff.

### ***District's Response***

*Central Pierce Fire & Rescue thanks the Office of the Washington State Auditors for review of our Assistance to Firefighters Grants and informing us of the Federal uniform guidance required in our procurement policy in relation to federal awards. We are committed to revising our policies to reflect all State Local and Federal Guidelines in the future.*

### ***Auditor's Remarks***

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures.

Title 2 CFR Part 180, OMB Guidelines to Agencies on Government wide Debarment and Suspension (*Nonprocurement*) establishes non-procurement debarment and suspension regulations implementing Executive Order 12549 and 12689.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.



## Central Pierce Fire & Rescue

Mailing Address: P.O. Box 940, Spanaway, WA 98387  
17520 – 22<sup>nd</sup> Ave. E., Tacoma, WA 98445  
(253) 538-6400 (253) 276-6770 Fax  
[www.centralpiercefirerescue.org](http://www.centralpiercefirerescue.org)

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### Central Pierce Fire and Rescue January 1, 2018 through December 31, 2018

This schedule presents the status of federal findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2017 through December 31, 2017	<b>Report Ref. No.:</b> 1022297	<b>Finding Ref. No.:</b> 2017-001	<b>CFDA Number(s):</b> N/A
<b>Federal Program Name and Granting Agency:</b> N/A		<b>Pass-Through Agency Name:</b> N/A	
<b>Finding Caption:</b> The District's internal controls over accounting and financial reporting were not adequate to ensure accurate and complete financial statements.			
<b>Background:</b> Elected officials, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. It is District management's responsibility to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Controls must ensure that financial data is reliably authorized, processed and reported. Government Auditing Standards, prescribed by the Comptroller General of the United States, requires the auditor to communicate material weaknesses as defined below in the Applicable Laws and Regulations section as a finding.			
<b>Status of Corrective Action: (check one)</b> <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <ul style="list-style-type: none"><li>• Finance Director attended cash basis annual reporting training from SAO</li><li>• Implemented secondary review of schedules, including pension liability template</li></ul>			

**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 and Rescue  
January 1, 2018 through December 31, 2018**

Board of Commissioners  
Central Pierce Fire and Rescue  
Spanaway, 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 Central Pierce Fire and Rescue, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District’s financial statements, and have issued our report thereon dated September 23, 2019.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

September 23, 2019

**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 and Rescue  
January 1, 2018 through December 31, 2018**

Board of Commissioners  
Central Pierce Fire and Rescue  
Spanaway, Washington

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

We have audited the compliance of Central Pierce Fire and Rescue, 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, 2018. 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, 2018.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

### **District's Response to Findings Entity Type**

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001 to be a material weakness.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001 to be a significant deficiency.

## **District's Response to Findings**

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 23, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Central Pierce Fire and Rescue January 1, 2018 through December 31, 2018

Board of Commissioners  
Central Pierce Fire and Rescue  
Spanaway, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Central Pierce Fire and Rescue, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 23.

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

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

#### Auditor's Responsibility

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

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, Central Pierce Fire and Rescue has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of Central Pierce Fire and Rescue, and its changes in cash and investments, for the year ended December 31, 2018, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

## **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Central Pierce Fire and Rescue, as of December 31, 2018, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

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

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019 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.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 23, 2019

## **FINANCIAL SECTION**

### **Central Pierce Fire and Rescue January 1, 2018 through December 31, 2018**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2018  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018  
Notes to Financial Statements – 2018

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

Schedule of Liabilities – 2018  
Schedule of Expenditures of Federal Awards – 2018  
Notes to the Schedule of Expenditures of Federal Awards – 2018

**Central Pierce Fire & Rescue**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 EMS Administration</b>	<b>201 GO Debt Fund Administration</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	24,562,009	3,438,142	2,502,070	200,207
30880	Unreserved	14,166,456	14,166,456	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	31,911,696	20,140,422	9,262,119	2,509,155
320	Licenses and Permits	36,450	36,450	-	-
330	Intergovernmental Revenues	4,771,775	2,332,329	2,439,287	159
340	Charges for Goods and Services	25,071,212	19,765,667	5,305,545	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	675,170	348,183	19,013	11,301
Total Revenues:		62,466,303	42,623,051	17,025,964	2,520,615
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	55,396,769	41,144,282	13,965,022	-
Total Expenditures:		55,396,769	41,144,282	13,965,022	-
Excess (Deficiency) Revenues over Expenditures:		7,069,534	1,478,769	3,060,942	2,520,615
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	804,920	130,438	-	-
Total Other Increases in Fund Resources:		804,920	130,438	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	6,204,327	1,872,852	-	-
591-593, 599	Debt Service	3,612,581	1,178,518	-	2,434,063
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		9,816,908	3,051,370	-	2,434,063
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,942,454)</b>	<b>(1,442,163)</b>	<b>3,060,942</b>	<b>86,552</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	22,505,523	1,881,949	5,563,012	286,758
5088000	Unreserved	14,280,489	14,280,489	-	-
<b>Total Ending Cash and Investments</b>		<b>36,786,012</b>	<b>16,162,438</b>	<b>5,563,012</b>	<b>286,758</b>

The accompanying notes are an integral part of this statement.



**Central Pierce Fire & Rescue**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<u>301 Facility Capital Fund</u>
<b>Beginning Cash and Investments</b>		
30810	Reserved	18,421,590
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	296,673
Total Revenues:		<u>296,673</u>
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	287,465
Total Expenditures:		<u>287,465</u>
Excess (Deficiency) Revenues over Expenditures:		9,208
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	674,482
Total Other Increases in Fund Resources:		<u>674,482</u>
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	4,331,475
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		<u>4,331,475</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>(3,647,785)</u></b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	14,773,804
5088000	Unreserved	-
<b>Total Ending Cash and Investments</b>		<b><u>14,773,804</u></b>

**Central Pierce Fire & Rescue**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

	<b>Agency</b>
308 Beginning Cash and Investments	4,115
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	34,192
510-590 Deductions	35,727
Net Increase (Decrease) in Cash and Investments:	(1,535)
508 Ending Cash and Investments	2,580

*The accompanying notes are an integral part of this statement.*

**Pierce County Fire Protection District No. 6**  
**dba Central Pierce Fire & Rescue**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2018**

## Note 1 - Summary of Significant Accounting Policies

Pierce County Fire Protection District No. 6 (PCFD6) was incorporated in February 1996 as a result of a merger between Fire Districts No. 6, No. 7, and No. 9. City of Puyallup annexed into the District January 2009, and Pierce County Fire District No. 11 merged into the District in September 2009.

The District operates under the laws of the state of Washington applicable to a Fire District. The District is a special purpose local government and provides 24-hour emergency medical and fire suppression protection to approximately 220,600 citizens in the Parkland, Spanaway, Midland, Summit, Frederickson, and South Hill areas of Pierce County as well as the City of Puyallup.

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

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

### A. Fund Accounting

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

#### GOVERNMENTAL FUND TYPES:

##### General Fund

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

### Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

### Debt Service Funds

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

### Capital Projects Funds

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

### FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

## B. Basis of Accounting and Measurement Focus

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

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

## C. Cash and Investments

See Note 3, *Deposits and Investments*.

## D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

## E. Compensated Absences

Vacation leave may be accumulated up to 720 hours and is 100% payable upon separation or retirement. Sick leave may be accumulated up to 2000 hours. Upon separation or retirement unused sick leave is payable to the employee at 25% for unused sick leave. Payments are recognized as expenditures when paid.

## F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

## G. Reserved Portion of Ending Cash and Investments

Beginning and ending cash and investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Resolution of the Board of Fire Commissioners.

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

Reservations of ending cash and investments consist of \$22,508,103.

## Note 2 – Budget Compliance

### A. Budgets

The District adopts annual appropriated budgets for four (4) funds. These budgets are appropriated at the fund level, and the budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end, except for capital outlays, which are carried forward from year to year until expended or the purpose of the appropriation has been accomplished or abandoned.

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

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

Fund/Department	Final Appropriated Amount	Actual Expenditures	Variance
General Fund	\$ 47,681,583	\$ 45,605,653	\$ 2,075,930
EMS Fund	14,420,635	13,965,023	455,612
Debt Fund	2,505,000	2,434,063	70,937
Capital Projects Fund	20,291,715	4,618,940	15,672,775
	\$ 84,898,933	\$ 66,623,679	\$ 18,275,254

Budgeted amounts are authorized to be transferred between line items within divisions; 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 District's Board of Fire Commissioners.

## Note 3 – Deposits and Investments

It is the District's policy to invest all temporary cash surpluses. The interest on these investments credits the General Fund except where pro-rated to the debt services and capital projects funds.

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

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

	<b>District Owned Investments</b>	<b>Investments held by Pierce County as an Agent of the District</b>	<b>Total</b>
LGIP	-	30,505,000	30,505,000
US Government Securities	-	-	-
Other:	-	-	-
Total	-	30,505,000	30,505,000

## Note 4 - Property Tax

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

Property tax revenues are recognized when cash is received by the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The District's regular levy for the year 2018 was \$0.92 per \$1,000 on an assessed valuation of \$21,953,276,453 for a total regular levy of \$20,120,232.

The District's EMS levy for the year 2018 was \$0.46 per \$1,000 on an assessed valuation of \$21,953,276,453 for a total EMS levy of \$10,084,611.

The District's Excess levy for the year 2018 was \$0.115 per \$1,000 on an assessed valuation of \$21,741,461,850 for a total Excess levy of \$2,505,000.

## Note 5 – Debt Service Requirements

### Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2018.

Central Pierce Fire & Rescue – 2018 Notes to Financial Statements

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,214,623	\$ 1,397,358	\$ 3,611,981
2019	2,640,455	1,383,186	4,023,641
2020	3,048,291	1,337,468	4,385,759
2021	2,782,726	1,233,401	4,016,127
2022	2,778,038	1,149,202	3,927,240
2023-2027	9,482,961	4,503,493	13,986,454
2028-2032	9,550,000	2,625,300	12,175,300
2033-2037	6,750,000	549,700	7,299,700
TOTALS	<u>\$ 39,247,094</u>	<u>\$ 14,179,108</u>	<u>\$ 53,426,202</u>

## Note 6 – Other Post-Employment Benefits

### OPEB

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the District. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had 12 members, all retirees. For the year ended December 31, 2018, the District paid \$131,425 in benefits.

The District also has a commitment to pay for other post-employment benefits (OPEB) for employees that belong to LEOFF 2 (medical premiums/VEBA) per resolution of the Board of Fire Commissioners. 39 LEOFF 2 retirees received benefits in 2018, in the amount of \$345,197.

## Note 7 – Pension Plans

### A. State Sponsored Pension Plans

Substantially all district full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans:

Public Employees' Retirement System (PERS)  
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes Central Pierce Fire & Rescue – 2018 Notes to Financial Statements

financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

At June 30, 2018, the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, and net pension assets, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 109,563	0.016391 %	\$ 732,028
PERS 2/3	163,139	0.021143 %	360,998
LEOFF 1	0	0.035950 %	( 652,673)
LEOFF 2	\$ 1,451,341	0.836944 %	( 16,991,788)

#### LEOFF Plan 1

The District participates in LEOFF Plan 1. The LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

#### LEOFF Plan 2

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

## Note 8 – 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.

The District is self-insured for unemployment benefits, and Washington State bills us on a reimbursement basis. The District is pay as you go as there is no material liability for this benefit as so few employees draw unemployment.

## Note 9 - Other Disclosures

### Contingencies and Litigations.

The District received a tort claim requesting \$250,000 for medical mismanagement by a District employee in 2019. This claim is not yet resolved, but management believes it is probable that the District will have to make a payment. In the opinion of management, reserves are sufficient to pay this pending claim.

### Name Change

Pierce County Fire Protection District No 6 was legally renamed Central Pierce Fire & Rescue. The District Board of Fire Commissioners and Pierce County approved the change in 2018, with subsequent IRS approval in 2019.

**Central Pierce Fire & Rescue  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	GO Bonds - voted	12/1/2033	30,505,000	-	1,195,000	29,310,000
	<b>Total General Obligation Debt/Liabilities:</b>		<b>30,505,000</b>	<b>-</b>	<b>1,195,000</b>	<b>29,310,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		7,227,026	1,033,258	616,686	7,643,598
263.52	Capital Lease		5,364,929	2,121,753	1,019,623	6,467,059
264.30	Net Pension Liability		1,603,839	-	510,813	1,093,026
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>14,195,794</b>	<b>3,155,011</b>	<b>2,147,122</b>	<b>15,203,683</b>
	<b>Total Liabilities:</b>		<b>44,700,794</b>	<b>3,155,011</b>	<b>3,342,122</b>	<b>44,513,683</b>

**Central Pierce Fire & Rescue**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810	5 NU58DP0060 75-03-00	3,290	-	3,290	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Dept of Emergency Management)	National Urban Search and Rescue (US&R) Response System	97.025	.	4,039	-	4,039	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2017-FV- 00904	-	734,507	734,507	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2016-FO- 03807	-	450,237	450,237	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce Co Fire Dist 03)	Assistance to Firefighters Grant	97.044	EMW-2016-FR- 000151	292,075	-	292,075	-	
<b>Total CFDA 97.044:</b>				<b>292,075</b>	<b>1,184,744</b>	<b>1,476,820</b>	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via City of Seattle)	Homeland Security Grant Program	97.067	N/A	3,721	-	3,721	-	

*The accompanying notes are an integral part of this schedule.*

**Central Pierce Fire & Rescue**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Dept of Emergency Management)	Homeland Security Grant Program	97.067	N/A	114,717	-	114,717	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Dept of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2016-SS- 00005-S01	6,054	-	6,054	-	
<b>Total CFDA 97.067:</b>				<b>124,492</b>	<b>-</b>	<b>124,492</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH- 00789	-	1,229,387	1,229,387	-	
<b>Total Federal Awards Expended:</b>				<b>423,896</b>	<b>2,414,131</b>	<b>2,838,028</b>	<b>-</b>	

*The accompanying notes 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, 2018**

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 CASH 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. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 7 – INDIRECT COST RATE

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



## Central Pierce Fire & Rescue

Mailing Address: P.O. Box 940, Spanaway, WA 98387  
17520 – 22<sup>nd</sup> Ave. E., Tacoma, WA 98445  
(253) 538-6400 (253) 276-6770 Fax  
[www.centralpiercefirerescue.org](http://www.centralpiercefirerescue.org)

### CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

#### Central Pierce Fire and Rescue January 1, 2018 through December 31, 2018

This schedule presents the corrective action planned by the District for findings reported in this report 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).

<b>Finding ref number:</b> 2018-001	<b>Finding caption:</b> The District did not have adequate internal controls in place to ensure compliance with federal suspension and debarment and procurement requirements.
<b>Name, address, and telephone of District contact person:</b> Tanya Robacker, Finance Director P.O. Box 940 Spanaway, WA 98387 (253)-538-6416	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Central Pierce Fire &amp; Rescue thanks the Office of the Washington State Auditors for review of our Assistance to Firefighters Grants and informing us of the Federal uniform guidance required in our procurement policy in relation to federal awards.</i> <i>We recognize the importance of internal controls for procurement, especially where federal funds are used. We also realize that although we did check the vendor's debarment status in our State, and our attorney reviewed the purchasing cooperative's contract and confirmed the affidavit that the vendor was not federally debarred at the time of the cooperative's award, we need to have a policy that includes Federal uniform guidance and requires CPFR to check the national debarment before we sign a contract with contractors/vendors.</i> <i>In order to prevent this in the future, the District proposes to:</i> <ol style="list-style-type: none"><li><i>Rewrite procurement policies to include not just State and Local requirements but also Federal guidelines.</i></li></ol>	

2. *This policy will include:*

- a. Requirement for CPFR to verify that Contractors it expects to pay more than \$25,000 are not suspended or debarred from participating in federal programs, and*
- b. Written standards of conduct covering conflicts of interest and governing the actions of employees engaged in the selectin, award, or administration of contracts procured with federal funds.*

**Anticipated date to complete the corrective action:**

Central Pierce Fire & Rescue has already engaged legal services to rewrite our procurement policies, and ensure all state local and federal guidance is accurately reflected in our policies going forward. We anticipate having a draft procurement policy to the District's Board of Fire Commissioners by year-end.

With the high turnover in executive and management staff, we will also ensure the policy is understood and followed by emphasizing procurement training.

## 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>