



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

**Financial Statements Audit Report**  
**Pierce County Fire Protection District**  
**No. 3**  
**(West Pierce Fire and Rescue)**

**For the period January 1, 2019 through December 31, 2019**

**Published January 21, 2021**

**Report No. 1027695**





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

January 21, 2021

Board of Commissioners  
West Pierce Fire and Rescue  
University Place, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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**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**

**West Pierce Fire and Rescue  
January 1, 2019 through December 31, 2019**

Board of Commissioners  
West Pierce Fire and Rescue  
University Place, 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 West Pierce Fire and Rescue, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 13, 2021.

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 state law 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.

As discussed in Note 7 to the financial statements, during the year ended December 31, 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual

As discussed in Note 8 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 8.

## 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.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated January 13, 2021.

## 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy  
State Auditor  
Olympia, WA

January 13, 2021

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## West Pierce Fire and Rescue January 1, 2019 through December 31, 2019

Board of Commissioners  
West Pierce Fire and Rescue  
University Place, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of West Pierce Fire and Rescue, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

### 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 state law 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, West Pierce Fire and Rescue has prepared these financial statements to meet the financial reporting requirements of state law 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 West Pierce Fire and Rescue, and its changes in cash and investments, for the year ended December 31, 2019, 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 West Pierce Fire and Rescue, as of December 31, 2019, or the changes in financial position or cash flows thereof 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.

## **Matters of Emphasis**

As discussed in Note 7 to the financial statements, in 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management’s plans in response to this matter are also described in Note 8. Our opinion is not modified with respect to this matter.

## **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 Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 January 13, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy  
State Auditor  
Olympia, WA

January 13, 2021

## **FINANCIAL SECTION**

### **West Pierce Fire and Rescue January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to Financial Statements – 2019

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

Schedule of Liabilities – 2019

**Pierce County Fire Protection District No 3**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

**Beginning Cash and Investments**

30810	Reserved	3,990,343
30880	Unreserved	7,257,206
388 / 588	Net Adjustments	17,600

**Revenues**

310	Taxes	32,485,864
320	Licenses and Permits	76,263
330	Intergovernmental Revenues	8,062,294
340	Charges for Goods and Services	4,610,714
350	Fines and Penalties	-
360	Miscellaneous Revenues	940,974
Total Revenues:		46,176,109

**Expenditures**

510	General Government	-
520	Public Safety	38,012,361
Total Expenditures:		38,012,361
Excess (Deficiency) Revenues over Expenditures:		8,163,748

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	477,962
397	Transfers-In	1,086,778
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		1,564,740

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	1,664,079
591-593, 599	Debt Service	1,758,650
597	Transfers-Out	1,086,778
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		4,509,507

<b>Increase (Decrease) in Cash and Investments:</b>	<b>5,218,981</b>
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**Ending Cash and Investments**

5081000	Reserved	3,711,819
5088000	Unreserved	12,772,312
<b>Total Ending Cash and Investments</b>		<b>16,484,131</b>

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



**PIERCE COUNTY FIRE PROTECTION DISTRICT No. 3**  
**MCAG 1255**  
**Notes to Financial Statements**  
**January 1, 2019 through December 31, 2019**

*The following notes are an integral part of the accompanying financial statements.*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District is a special purpose government that provides fire protection services to the general public and is supported primarily through property taxes. The District was incorporated in 1944 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts. In March of 2011, Fire District 2 merged into Fire District 3.

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, except for fiduciary funds, which are presented by fund types. The following fund types are used:

## GOVERNMENTAL FUND TYPES:

### General Fund

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

### Debt Service Funds

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

#### B. Basis of Accounting and Measurement Focus

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

#### C. Cash & Investments

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments. See Note 4 for further details.

#### D. Capital Assets

Capital assets are assets with an initial individual or programmatic cost of more than \$5,000. Capital assets and inventory are recorded as capital expenditures when purchased.

#### E. Compensated Absences

Vacation pay may be accumulated up to 720 hours for the most senior shift employees and is payable upon separation or retirement. Sick leave may accumulate up to 1276 hours for shift employees and 1040 for most day employees. Upon separation or retirement most employees receive payment of 25% of accrued unused sick leave. Estimated liability for sick leave and vacation leave benefits on December 31, 2019 was \$4,620,153. The variance in ending balance 2018 and beginning balance 2019 is due to change in hourly rate due to contractual increases which affects value of balances. There are leave banks, such as shared leave, which don't have a value attributed to them as it would vary based on either who donated the leave or who used the leave.

#### F. Long-Term Debt

See Note 5, Debt Service Requirements.

G. Reserve Portion of Ending Cash Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board. Such commitments are established via Board Resolution or Board Policy. 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 \$3,711,819 at year-end. Specific uses for this amount are debt service for voter approved bonds as well as acquisition of property for District facilities expansion.

NOTE 2- BUDGET COMPLIANCE

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Legislative	130,292	83,704	46,588
Technology	1,532,611	1,470,168	62,443
Communications/Planning	548,154	531,725	16,429
Administration	3,172,581	3,301,130	(128,549)
Suppression	17,465,456	17,462,280	3,176
Prevention	1,594,439	1,587,622	6,817
Training	1,432,947	1,496,046	(63,099)
Logistics	1,448,351	1,377,450	70,901
Fleet	1,319,909	1,247,050	72,859
EMS	9,254,977	8,409,257	845,720
Emergency Management	374,597	354,071	20,526
Fire Communications	690,080	691,857	(1,777)
Capital	1,840,705	1,664,079	176,626
Other Financing Uses	429,188	344,197	84,991
<b>General Fund</b>	<b>41,234,287</b>	<b>40,020,636</b>	<b>1,213,651</b>
<b>Reserve Fund</b>	<b>580,063</b>	<b>330,063</b>	<b>250,000</b>
<b>GOB Fund</b>	<b>1,755,088</b>	<b>2,171,168</b>	<b>(416,080)</b>

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

#### NOTE 3 – PROPERTY TAX

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

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

The District's regular levy for the year 2019 was \$1.324551842127 per \$1,000 on an assessed valuation of \$11,444,957,085 for a total regular levy of \$15,159,438.99. The County refund fund was \$0.00 for a total of \$0.00.

The District's EMS levy for the year 2019 was \$0.437483757502 per \$1,000 on an assessed valuation of \$11,444,957,085 for a total EMS levy of \$5,006,982.83. The County refund fund was \$0.00 for a total of \$0.00.

The District's excess levy for the year 2019 was \$0.972958137666 per \$1,000 on an assessed valuation of \$11,330,070,918 for a total excess levy of \$11,023,684.70. The County refund fund was \$0.00 for a total of \$0.00.

Previous District 2's Bond for the year 2019 was \$0.182183192852 per \$1,000 on an assessed valuation of \$7,135,674,700 for a total bond levy of \$1,300,000.00. The County refund fund was \$0.00 for a total of \$0.00.

#### NOTE 4 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Investments by type at December 31, 2019 were as follows:

Type	District's Own	Investments held by Pierce County	Total
L.G.I.P.	\$15,684,674.47		\$15,684,674.47
Deposits	\$799,456.53		\$799,456.53

The District's investments are held by Pierce County as its agent in the District's name. It is the District's policy to invest all temporary cash surpluses. The interest on these investments is retained in the fund earning the interest.



The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

The District maintains a transfer fund; any funds remaining at year-end are subsequently reported as revenue and recorded in January of the following year.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are mostly covered by the federal depository insurance (FDIC) or by the collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the District or its agent in the government's name.

**NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2019. The debt service requirements for general obligation bonds (non-voter and voter approved) and LOCAL Program, including interest, are as follows:

<b><u>District 3</u></b>		<b><u>Non-Voter Approved GOB</u></b>	
<b><u>Year</u></b>	<b><u>Principle</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2020	110,000	8,725	118,725
2021	115,000	4,600	119,600
Total	225,000	13,325	238,325

<b><u>District 2</u></b>		<b><u>Voter Approved GOB</u></b>	
<b><u>Year</u></b>	<b><u>Principle</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2020	1,290,000	84,750	1,374,750
2021	1,380,000	43,470	1,423,470
Total	2,670,000	128,220	2,798,220

<b><u>District 3</u></b>		<b><u>LOCAL Program</u></b>	
<b><u>Year</u></b>	<b><u>Principle</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2020	188,141	24,952	213,093
2021	197,548	15,310	212,858
2022	207,426	5,186	212,611
Total	593,115	45,448	638,562

<b><u>District 3</u></b>		<b><u>LOCAL Program</u></b>	
<b><u>Year</u></b>	<b><u>Principle</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2020	83,171	17,958	101,129
2021	87,436	13,799	101,235
2022	91,920	9,428	101,347
2023	96,633	4,832	101,465
Total	359,160	46,017	405,176

## NOTE 6 - PENSION PLANS

### A. State Sponsored Pension Plans

Substantially all of Fire District 3's full-time and qualifying part-time employees participate in either the Public Employees Retirement System (PERS) or under the Law Enforcement Officers and Fire Fighters (LEOFF) pension plans administered by the Department of Retirement Systems (DRS), 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, 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  
PO Box 48380  
Olympia, WA 98504-8380

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

At June 30, 2019, the District's proportionate share of the collective net pension liabilities, as reported on Schedule 9, was as follows:

	<b><i>Employer Contributions</i></b>	<b><i>Allocation %</i></b>	<b><i>Liability (Asset)</i></b>
PERS 1	140,679	0.019619%	754,420
PERS 2	206,991	0.025344%	246,176
LEOFF 1	0	0.109321%	(2,160,851)
LEOFF 2	1,109,778.88	0.601924%	(13,944,731)

#### LEOFF Plan 1

The District also 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.

B. Defined Contribution Pension Plans

457(b) Plans; Various Collective Bargaining Agreements and Personal Services agreements define the amount contributed on behalf of the District and if there are any matching funds (employee contributions) required. In 2019, the maximum monthly contribution for an employee was \$725. For fiscal year ending December 31, 2019, the District contributed a total of \$327,191.09

VOYA Financial  
Decision Point Financial  
Nationwide  
DCP (*State of Washington*)

NOTE 7 – OPEB PLANS

The District has a commitment to pay for post-employment benefits that belong to LEOFF 1 (medical, dental, prescriptions, and long-term care), a defined benefit plan.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined benefit OPEB plan administered by the District as required by RCW 41.26. The plan pays 100% of eligible retirees' healthcare costs on a pay-as-you-go base. As of December 31, 2019, the plan had 31 members, all retirees. As of December 31, 2019 the District's total OPEB was \$15,531,969 as calculated using the alternative measurement method. For year ended December 31, 2019, the District paid \$276,176.76 in benefits.

During the year ended December 31, 2019, the District adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

The District administers a PERS 2 / LEOFF 2 Retiree Medical Program to make an annual contribution to an HRA/VEBA for qualifying retirees.

The District pays an annual lump sum as defined in a District Resolution, which is tied to a single employee medical premium amount and is capped at a maximum 7.5% increase annually; it ceases at the age of 65. As of December 31, 2019, the plan had 36 PERS 2/LEOFF 2 retired/qualified members and 181 active employees; the District contributed \$328,207.32. The total OPEB liability was \$6,416,114 at December 31, 2019.

NOTE 8 – SUBSEQUENT EVENTS; COVID-19 RESPONSE

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The Elected Officials of the District subsequently declared state of emergency. Immediate Operational Directives were put in place and strategies implemented relative to continuance of operations. The District stood up its Department Operations Center. Tracking of costs has been ongoing; and the District

is pursuing any and all financial resources at the County, State, and Federal level for recovery of those expenses.

The length of time these measures will be in place, and the full extent of the financial impact on the District is unknown at this time.

#### NOTE 9 – COMPONENT UNITS AND JOINT VENTURES

The District has a related party relationship with South Sound 911. District 3 maintains a seat on the policy board for this organization, which is filled by one of the elected members of the Board of Fire Commissioners for the District.

On December 22, 2019, South Sound 911 transitioned from an interlocal administrative agency to a Public Development Authority (PDA) in accordance with RCW 35.21.730-755 (Resolution 2019-13). The former governing bodies, the Policy Board and Operations Board, were dissolved and the 11-member Board of Directors became the sole governing body to which the South Sound 911 executive director reports.

All local government agencies contracting for the agency's services are represented on the board, either directly or indirectly. A separate Public Safety Communications Operations Committee of police and fire chiefs advise the Board of Directors and executive director on any matters related to South Sound 911 operations.

Board members are elected officials with representation that is reflective of the agency's customer base. Seats on the board are allocated among South Sound 911's member agencies based on the relative size of the most recently approved annual Communications Assessments payable by member agencies. Terms are three (years) and there are no term limits.

#### NOTE 10 – RISK MANAGEMENT

The District is a member of an insurance group, which includes District 3, 5, and 6. Coverage is inclusive of commercial property and general liability. The District meets annual with the group to discuss coverages and address risk. In 2019 the provider was McNeil & Company, Inc.

The District is self-insured for unemployment claims (reimbursable employer through the State of Washington Employment Security Department) and life insurance. In 2019, the District paid out a total of \$838.92 in unemployment claims and no life insurance claims.

#### OTHER DISCLOSURES

In November 2010, the citizens of Fire District 2 approved the merger of Fire District 2 into Fire District 3. The merge become effective March 1, 2011. Fire District 3 is the remaining legal entity; and it is doing business as West Pierce Fire & Rescue. All assets and liabilities of District 2 became those of District 3 with the exception of the debt listed under Note 5 and Schedule 9 - it remains with the citizens who approved it in 2001, within the boundary of Fire District 2.

**Pierce County Fire Protection District No 3**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2019**

<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>						
251.11	Refunded Non-voter approved GOB	12/1/2021	330,000	-	105,000	225,000
251.12	Voter approved GOB	12/1/2021	3,875,000	-	1,205,000	2,670,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>4,205,000</b>	<b>-</b>	<b>1,310,000</b>	<b>2,895,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absenses		4,357,338	3,164,884	2,902,069	4,620,153
252.11	Fire Engines	6/1/2022	772,297	-	179,182	593,115
252.11	Station Alerting	12/1/2023	-	438,273	79,113	359,160
264.30	Pension Liability		1,210,003	-	209,406	1,000,597
264.40	LEOFF 1		-	15,531,969	-	15,531,969
264.40	Retiree HRA/VEBA		-	6,416,114	-	6,416,114
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>6,339,638</b>	<b>25,551,240</b>	<b>3,369,770</b>	<b>28,521,108</b>
<b>Total Liabilities:</b>			<b>10,544,638</b>	<b>25,551,240</b>	<b>4,679,770</b>	<b>31,416,108</b>

## 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	
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