



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **Thurston County Fire Protection District No. 8**

**(South Bay Fire Department)**

**For the period January 1, 2018 through December 31, 2020**

*Published February 7, 2022*

Report No. 1029819



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

February 7, 2022

Board of Commissioners  
South Bay Fire Department  
Olympia, Washington

**Report on Financial Statements**

Please find attached our report on South Bay Fire Department'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

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **South Bay Fire Department January 1, 2018 through December 31, 2020**

Board of Commissioners  
South Bay Fire Department  
Olympia, 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 South Bay Fire Department, as of and for the years ended December 31, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 31, 2022.

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 5 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

January 31, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **South Bay Fire Department January 1, 2018 through December 31, 2020**

Board of Commissioners  
South Bay Fire Department  
Olympia, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of South Bay Fire Department, for the years ended December 31, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, South Bay Fire Department 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 South Bay Fire Department, and its changes in cash and investments, for the years ended December 31, 2020, 2019 and 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 South Bay Fire Department, as of December 31, 2020, 2019 and 2018, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



## **Matters of Emphasis**

As discussed in Note 5 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 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.



Olympia, WA

January 31, 2022

## **FINANCIAL SECTION**

### **South Bay Fire Department January 1, 2018 through December 31, 2020**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2020  
Fund Resources and Uses Arising from Cash Transactions – 2019  
Fund Resources and Uses Arising from Cash Transactions – 2018  
Notes to Financial Statements – 2020  
Notes to Financial Statements – 2019  
Notes to Financial Statements – 2018

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

Schedule of Liabilities – 2020  
Schedule of Liabilities – 2019  
Schedule of Liabilities – 2018

**Thurston County Fire Protection District No. 8**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Operating Fund</b>	<b>300 Reserve</b>	<b>301 CR&amp;R</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	5,932,223	1,115,005	1,275,688	1,966,988
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	3,176,381	3,174,664	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	30,963	30,963	-	-
340	Charges for Goods and Services	1,009	1,009	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	118,174	64,252	16,401	18,740
Total Revenues:		3,326,527	3,270,888	16,401	18,740
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	3,179,624	3,179,624	-	-
Total Expenditures:		3,179,624	3,179,624	-	-
Excess (Deficiency) Revenues over Expenditures:		146,903	91,264	16,401	18,740
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	275,533	533	-	275,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		275,533	533	-	275,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,453,372	-	-	1,376,905
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	275,533	275,000	-	533
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,728,905	275,000	-	1,377,438
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,306,469)</b>	<b>(183,203)</b>	<b>16,401</b>	<b>(1,083,698)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	3,693,952	-	1,292,090	883,289
50891	Unassigned	931,802	931,802	-	-
<b>Total Ending Cash and Investments</b>		<b>4,625,754</b>	<b>931,802</b>	<b>1,292,090</b>	<b>883,289</b>

**Thurston County Fire Protection District No. 8**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<u>302 Station Capital Projects</u>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	1,574,542
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	1,717
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	18,781
Total Revenues:		20,498
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		20,498
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	76,467
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		76,467
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(55,969)</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	1,518,573
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b>1,518,573</b>

**Thurston County Fire Protection District No. 8**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Operating Fund</b>	<b>300 Reserve</b>	<b>301 CR&amp;R</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	5,191,188	997,459	1,250,226	1,771,288
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	3,029,092	3,029,096	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	40,492	40,492	-	-
340	Charges for Goods and Services	1,022	1,022	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	146,713	51,330	25,462	35,430
Total Revenues:		3,217,319	3,121,940	25,462	35,430
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	2,754,396	2,754,396	-	-
Total Expenditures:		2,754,396	2,754,396	-	-
Excess (Deficiency) Revenues over Expenditures:		462,923	367,544	25,462	35,430
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	251,858	-	-	250,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	828,407	-	-	-
Total Other Increases in Fund Resources:		1,080,265	-	-	250,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	550,296	-	-	87,872
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	251,858	250,000	-	1,858
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		802,154	250,000	-	89,730
<b>Increase (Decrease) in Cash and Investments:</b>		<b>741,034</b>	<b>117,544</b>	<b>25,462</b>	<b>195,700</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	5,932,223	1,115,005	1,275,688	1,966,988
<b>Total Ending Cash and Investments</b>		<b>5,932,223</b>	<b>1,115,005</b>	<b>1,275,688</b>	<b>1,966,988</b>

**Thurston County Fire Protection District No. 8**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<u>302 Station Capital Projects</u>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	1,172,215
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	(4)
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	34,491
Total Revenues:		<u>34,487</u>
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
Total Expenditures:		<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>34,487</u>
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	1,858
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	828,407
Total Other Increases in Fund Resources:		<u>830,265</u>
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	462,424
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		<u>462,424</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>402,328</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	1,574,542
<b>Total Ending Cash and Investments</b>		<b><u>1,574,542</u></b>

**Thurston County Fire Protection District No. 8**  
**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 Operating Fund</b>	<b>300 Reserve</b>	<b>301 CR&amp;R</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	5,112,621	1,164,737	1,233,004	1,559,119
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	2,483,011	2,483,011	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	33,767	33,767	-	-
340	Charges for Goods and Services	4,017	4,017	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	156,640	101,466	17,223	21,499
Total Revenues:		2,677,436	2,622,261	17,223	21,499
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	2,579,919	2,579,919	-	-
Total Expenditures:		2,579,919	2,579,919	-	-
Excess (Deficiency) Revenues over Expenditures:		97,517	42,342	17,223	21,498
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	349,399	69,889	-	279,510
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		349,399	69,889	-	279,510
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	18,951	-	-	18,951
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	349,399	279,510	-	69,889
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		368,350	279,510	-	88,840
<b>Increase (Decrease) in Cash and Investments:</b>		<b>78,566</b>	<b>(167,279)</b>	<b>17,223</b>	<b>212,168</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	5,191,188	997,459	1,250,226	1,771,288
<b>Total Ending Cash and Investments</b>		<b>5,191,188</b>	<b>997,459</b>	<b>1,250,226</b>	<b>1,771,288</b>

**Thurston County Fire Protection District No. 8**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<u>302 Station Capital Projects</u>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	1,155,761
388 / 588	Net Adjustments	-
<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	16,454
Total Revenues:		<u>16,454</u>
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
Total Expenditures:		<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>16,454</u>
<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, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>-</u>
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>16,454</u></b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	1,172,215
<b>Total Ending Cash and Investments</b>		<b><u>1,172,215</u></b>



**MCAG 1341    Thurston County Fire Protection District 8  
2020 Financial Notes**

**Note 1 - Summary of Significant Accounting Policies**

The Thurston County Fire Protection District 8 reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The District was incorporated in 1953 and operates under the laws of the state of Washington applicable to fire districts. The district is a special purpose government and provides emergency medical and fire protection services to the general public and is supported primarily through property taxes. The accounting policies of the district confirm to the Budgeting, Accounting and Reporting System (BARS) Manual for Fire Districts in the State of Washington prescribed by the State Auditor. The district uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

- 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**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Capital Projects Funds**

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

**B. Basis of Accounting**

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. Budgets**

The district adopts annual budgets for all funds. These budgets are established at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenses</b>	<b>Variance</b>
001 – General Expense	3,343,928.00	3,454,624.15	-110,696.15
300 – Operations Reserve	1275688.41	0	0
301 – Capital Projects	1,424,657.00	1,377,439.50	47,217.50
302 - Station Capital Projects	200,000.00	76,467.05	123,532.95

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

Disclosures:

- No expenditure budget had been established for the Reserve Fund (300)
- Variance in the General Expense (fund 001) is due to unforeseen expenses related to COVID-19; most of which were for career overtime to supplement volunteer shifts as well as additional expenses for facility maintenance. See Note 5 for details.

D. Cash & Investments

The District is a participant in the Thurston County Investment Pool, an external investment pool. The (city/county/district) reports its investment in the pool as the fair value amount, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County’s investment policy is established by the County Finance Committee consisting of the County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners. The object of the policy is to invest public funds in a manner which will provide maximum security with the highest investment return while meeting daily cash flow demands and conforming to all state and local statutes governing the investment of public funds.

The Thurston county Investment Pool does not have a credit rating and had a weighted average maturity of 1.91 years as of December 31, 2020

In accordance with State law, the district’s governing body has entered into a formal agreement with the district’s *ex officio* treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP).

As of December 31, 2020, the district had the following Investments:

<b><u>Investment Type</u></b>
Thurston County Investment Pool \$4,625,754.29
<b><u>Fair Value Multiplier (1)</u></b>
1.008299

- (1) A TCIP participant can calculate the fair value of its investments in the TCIP by taking the multiplier supplied by Thurston County for the end of the fiscal year and multiplying this number times the amount of cash that the participant had in the TCIP. For example, if a participant had \$1,000,000 in cash invested in the TCIP, the fair value of its investments in the TCIP on December 31, 2020 would be calculated by taking \$1,000,000 times 1.008299, or \$1,008,299.

#### E. Deposits

The district's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

#### F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500; fixed assets are less than \$100 or defined as "small and attractive." The capital assets of the district are recorded as expenditures when purchased. Policy 1-25-PO-00 (revised in October 2018) details the District's policy.

#### G. Compensated Absences

Vacation leave may be accumulated up to thirty days and 100% is payable upon separation or retirement. Sick leave may be accumulated up to 120 days. Upon retirement employees receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

#### H. Other Financing Sources or Uses

In 2020, the district's other financing sources or uses consist of inter-fund transfers.

#### I. Risk Management

Thurston County Fire Protection District 8 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

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

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

#### **Note 2 - Property Tax**

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

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

The district's regular levy for the year 2020 was \$1.50 per \$1,000 on an assessed valuation of \$2,115,955,783 for a total regular levy of \$3,173,934. In addition, \$593 was paid to the Thurston County Treasurer Fund for payment of administrative refunds.

#### **Note 3 – Liabilities**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding liabilities of the district for year ended December 31, 2020. These figures include an additional .0145 added to compensated absences for estimated taxes; .0533 for LEOFF II retirement; and .1286 for PERS III retirement.

#### **Note 4 - Pension Plans**

All district full-time employees participate in one of the following retirement systems: Law Enforcement Officers and Fire Fighters (LEOFF II) and Public Employee's Retirement System (PERS III).

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 LEOFF Plan II 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.

Both LEOFF II and PERS III plans are administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the district's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. Employees have the additional option to participate in the State Deferred Compensation plan.

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

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

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

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

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

As of June 30, 2020, the District's proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.000750	\$26,479
PERS 2/3	0.000982	\$12,559
LEOFF 2	.034109	\$(695,774)
VFFRPF	0.90	\$(315,663)

#### **Note 5 - Other Disclosures**

##### **Petty Cash/Revolving Fund:**

The District has an authorized "Revolving Fund" (petty cash) account, which is a separate checking account held with US Bank and used for emergencies when our normal purchasing process is unavailable.

The total amount never exceeds \$2000. This amount is not reflected in our general fund for 2020.

##### **Inter-local Agreements:**

The District participated in the following inter-local agreements for 2020:

- Mutual aid for firefighting and emergency medical services with Thurston County Fire Districts and Regional Fire Protection Service Authorities and City and Town Fire Departments within Thurston County
- Vehicle repair and maintenance services with The City of Olympia
- Communications equipment repair with the Thurston County Central Services Department
- Forest and land response agreement with the Washington Department of Natural Resources
- Purchasing with the Department of Enterprise Services
- Thurston 9-1-1 Communications Intergovernmental Agreement for Communications Services (Amended)
- Intergovernmental Agreement for the State of Washington, Dept of Enterprise Services, Employee Assistance Services & TCFPD8
- Auto-Mutual Aid Agreement Between TCFPD3 and TCFPD8
- Intergovernmental Agreement for the State of Washington, Washington State Patrol, and TCFPD8, Contract K14677
- Department of the Army, Joint Base Garrison Resource Management Office, Fire Mutual Aid Agreement 4501

##### **Unforeseen Expenses related to the Covid-19 Pandemic:**

- In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.
- Pandemic measures impacted the Department's volunteer response force, causing an assignment of career firefighters to work additional hours to supplement shift needs, resulting in excessive overtime expenses.
- Pandemic safety measures were put in place resulting in additional expenses for personal protective equipment (PPE); facility sanitation supplies; facility maintenance and remote communication (Zoom). Many of these additional costs have been submitted to FEMA (through the Washington State Military Department) for reimbursement; however, no reimbursements have been received in 2020.
- The length of time these measures will continue to be in place, and the full extent of the financial impact on the District is unknown at this time.

**MCAG 1341    Thurston County Fire Protection District 8  
2019 Financial Notes**

**Note 1 - Summary of Significant Accounting Policies**

The Thurston County Fire Protection District 8 reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The District was incorporated in 1953 and operates under the laws of the state of Washington applicable to fire districts. The district is a special purpose government and provides emergency medical and fire protection services to the general public and is supported primarily through property taxes. The accounting policies of the district confirm to the Budgeting, Accounting and Reporting System (BARS) Manual for Fire Districts in the State of Washington prescribed by the State Auditor. The district uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

- 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**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Capital Projects Funds**

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

**B. Basis of Accounting**

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. Budgets**

The district adopts annual budgets for all funds. These budgets are established at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.



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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenses</b>	<b>Variance</b>
001 – General Expense	3,071,025	3004393	66631
300 – Operations Reserve	0	0	0
301 – Capital Projects	1,391,395	89729	1301665
302 - Station Capital Projects	200,000	462,424	-262,424

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

Disclosures:

- No expenditure budget had been established for the Reserve Fund (300)
- Variance in Capital Projects (301) is due to delays in vehicle purchasing
- Variance in Station Capital Projects (302) is due to the sale of surplus properties and the purchase of new property

D. Cash & Investments

The District is a participant in the Thurston County Investment Pool, an external investment pool. The District reports its investment in the pool as the fair value amount, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County's investment policy is established by the County Finance Committee consisting of the County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners. The object of the policy is to invest public funds in a manner which will provide maximum security with the highest investment return while meeting daily cash flow demands and conforming to all state and local statutes governing the investment of public funds.

The Thurston county Investment Pool does not have a credit rating and had a weighted average maturity of 1.46 years as of December 31, 2019

In accordance with State law, the district's governing body has entered into a formal agreement with the district's *ex officio* treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP). As of December 31, 2019, the district had the following Investments:

<b><u>Investment Type</u></b>
Thurston County Investment Pool \$5,932,223
<b><u>Fair Value Multiplier (1)</u></b>
1.001571
<b><u>Effective Duration</u></b>
1.46 years

- (1) A TCIP participant can calculate the fair value of its investments in the TCIP by taking the multiplier supplied by Thurston County for the end of the fiscal year and multiplying this number times the amount of cash that the participant had in the TCIP. For example, if a participant had \$1,000,000 in cash invested in the TCIP, the fair value of its investments in the TCIP at December 31, 2019 would be calculated by taking \$1,000,000 times 1.001571, or \$1,001,571.

#### E. Deposits

The district's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

#### F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500; fixed assets are less than \$100 or defined as "small and attractive." The capital assets of the district are recorded as expenditures when purchased. Policy 1-25-PO-00 (revised in October 2018) details the District's policy.

#### G. Compensated Absences

Vacation leave may be accumulated up to thirty days and 100% is payable upon separation or retirement. Sick leave may be accumulated up to 120 days. Upon retirement employees receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

#### H. Other Financing Sources or Uses

In 2019, the District sold four properties resulting in revenues of \$828,407. The district's other financing sources or uses consist of inter-fund transfers.

#### I. Risk Management

Thurston County Fire District 8 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

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

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

Since Enduris is a cooperative program, there is joint liability among the participating members. The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.



Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house. The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### **Note 2 - Property Tax**

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

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

The district's regular levy for the year 2019 was \$1.50 per \$1,000 on an assessed valuation of \$2,018,282,986 for a total regular levy of \$3,027,424. In addition, \$3,230 was paid to the Thurston County Treasurer Fund for payment of administrative refunds.

#### **Note 3 – Liabilities**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding liabilities of the district for year ended December 31, 2019. These figures include an additional .0145 added to compensated absences for estimated taxes; .0533 for LEOFF II retirement; and .1286 for PERS III retirement.

#### **Note 4 - Pension Plans**

All district full-time employees participate in one of the following retirement systems: Law Enforcement Officers and Fire Fighters (LEOFF II) and Public Employee's Retirement System (PERS III).

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 LEOFF Plan II 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.

Both LEOFF II and PERS III plans are administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the district's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. Employees have the additional option to participate in the State Deferred Compensation plan.

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

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

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

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

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

As of June 30, 2019, the District's proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.000687%	\$26,418
PERS 2/3	.000886%	\$8,606
LEOFF 2	.029947%	\$(693,780)
VFFRPF	.88%	\$(595,799)

#### **Note 5 - Other Disclosures**

##### **Petty Cash/Revolving Fund:**

The District has an authorized "Revolving Fund" (petty cash) account, which is a separate checking account held with Key Bank and used for emergencies when our normal purchasing process is unavailable.

The total amount never exceeds \$2000. This amount is not reflected in our general fund for 2019.

##### **Inter-local Agreements:**

The District participated in the following inter-local agreements for 2019:

- Mutual aid for firefighting and emergency medical services with Thurston County Fire Districts and Regional Fire Protection Service Authorities and City and Town Fire Departments within Thurston County
- Vehicle repair and maintenance services with The City of Olympia
- Communications equipment repair with the Thurston County Central Services Department
- Forest and land response agreement with the Washington Department of Natural Resources
- Purchasing with the Department of Enterprise Services
- Thurston 9-1-1 Communications Intergovernmental Agreement for Communications Services (Amended)
- Intergovernmental Agreement for the State of Washington, Dept of Enterprise Services, Employee Assistance Services & TCFPD8
- Auto-Mutual Aid Agreement Between TCFPD3 and TCFPD8
- Intergovernmental Agreement for the State of Washington, Washington State Patrol, and TCFPD8, Contract K14677
- Department of the Army, Joint Base Garrison Resource Management Office, Fire Mutual Aid Agreement 4501

##### **Property Sales and Purchases:**

- The District sold four surplus properties in 2019, resulting in revenues of \$828,407.
- The District purchased one property in 2019 for \$500,955.

**MCAG 1341    Thurston County Fire Protection District 8  
2018 Financial Notes**

**Note 1 - Summary of Significant Accounting Policies**

The Thurston County Fire Protection District 8 reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The District was incorporated in 1953 and operates under the laws of the state of Washington applicable to fire districts. The district is a special purpose government and provides emergency medical and fire protection services to the general public and is supported primarily through property taxes. The accounting policies of the district confirm to the Budgeting, Accounting and Reporting System (BARS) Manual for Fire Districts in the State of Washington prescribed by the State Auditor. The district uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

- 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**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Capital Projects Funds**

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

**B. Basis of Accounting**

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. Budgets**

The district adopts annual budgets for all funds. These budgets are established at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenses</b>	<b>Variance</b>
001 – General Expense	2,900,734	2,859,428	41,304
300 – Operations Reserve	0	0	0
301 – Capital Projects	164,736	88,840	75,896
302 - Station Capital Projects	200,000	0	200,000

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

#### D. Cash & Investments

It is the district policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds. In accordance with State law, the district’s governing body has entered into a formal agreement with the district’s *ex officio* treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP). Investments are reported at original cost. As of December 31, 2018, the district had the following Investments:

<b><u>Investment Type</u></b>
Thurston County Investment Pool \$5,191,188
<b><u>Fair Value Multiplier (1)</u></b>
.990905
<b><u>Effective Duration</u></b>
1.59 years

Our pool is not rated by a nationally recognized statistical rating organization (NRSRO). A TCIP participant can calculate the fair value of its investments in the TCIP by taking the multiplier supplied by Thurston County for the end of the fiscal year and multiplying this number times the amount of cash that the participant had in the TCIP. For example, if a participant had \$1,000,000 in cash invested in the TCIP, the fair value of its investments in the TCIP at December 31, 2018 would be calculated by taking \$1,000,000 times .990905, or \$990,905

#### E. Deposits

The district’s deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

#### F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500; fixed assets are less than \$100 or defined as “small and attractive.” The capital assets of the district are recorded as expenditures when purchased. Policy 1-25-PO-00 (revised in October 2018) details the District’s policy.

#### G. Compensated Absences

Vacation leave may be accumulated up to thirty days and 100% is payable upon separation or retirement. Sick leave may be accumulated up to 120 days. Upon retirement employees receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

#### H. Other Financing Sources or Uses

The district’s other financing sources or uses consist of inter-fund transfers.

## I. Risk Management

South Bay Fire Department is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

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

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

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house. A Board of Directors consisting of seven (7) board members governs Enduris. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded limits in the last three years.

## **Note 2 - Property Tax**

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

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

The district’s regular levy for the year 2018 was \$1.50 per \$1,000 on an assessed valuation of \$1,861,408,467 for a total regular levy of \$2,479,591. In addition, \$6,500 was paid to the Thurston County Treasurer Fund for payment of administrative refunds.

**Note 3 – Liabilities**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding liabilities of the district for year ended December 31, 2018. These figures include an additional .0145 added to compensated absences for estimated taxes; .0523 for LEOFF II retirement; and .118 for PERS III retirement.

**Note 4 - Pension Plans**

All district full-time employees participate in one of the following retirement systems: Law Enforcement Officers and Fire Fighters (LEOFF II) and Public Employee's Retirement System (PERS III).

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 LEOFF Plan II 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.

Both LEOFF II and PERS III plans are administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the district's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. Employees have the additional option to participate in the State Deferred Compensation plan.

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

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

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

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

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

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

	Allocation %	Liability (Asset)
PERS 1 UAAL	.00064300%	\$28,717
PERS 2/3	.0008300%	\$14,172
LEOFF 2	.02535100%	\$(514,681)
VFFRPF	.575700%	\$(301,744)

#### **Note 5 - Other Disclosures**

##### **Petty Cash/Revolving Fund:**

The District has an authorized "Revolving Fund" (petty cash) account, which is a separate checking account held with Key Bank and used for emergencies when our normal purchasing process is unavailable. The total amount never exceeds \$2000. This amount is not reflected in our general fund for 2018.

##### **Inter-local Agreements:**

The District participated in the following inter-local agreements for 2018:

- Mutual aid for firefighting and emergency medical services with Thurston County Fire Districts and Regional Fire Protection Service Authorities and City and Town Fire Departments within Thurston County
- Vehicle repair and maintenance services with The City of Olympia
- Communications equipment repair with the Thurston County Central Services Department
- Forest and land response agreement with the Washington Department of Natural Resources
- Purchasing with the Department of Enterprise Services

##### **Budgets/Expenses:**

No expenditure budget had been established for the Reserve Fund (300). There were no expenses for the Station Capital Projects Fund (302).

**Thurston County Fire Protection District No. 8**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2020**

<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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2020	86,269	35,720	-	121,989
264.30	Pension Liabilities	12/31/2020	35,024	4,014	-	39,038
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>121,293</b>	<b>39,734</b>	<b>-</b>	<b>161,027</b>
<b>Total Liabilities:</b>			<b>121,293</b>	<b>39,734</b>	<b>-</b>	<b>161,027</b>



**Thurston County Fire Protection District No. 8**  
**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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	compensated absences		79,450	6,819	-	86,269
264.30	pension liabilities		42,888	-	7,864	35,024
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>122,338</b>	<b>6,819</b>	<b>7,864</b>	<b>121,293</b>
<b>Total Liabilities:</b>			<b>122,338</b>	<b>6,819</b>	<b>7,864</b>	<b>121,293</b>

**Thurston County Fire Protection District No. 8**  
**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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absenses		76,325	3,125	-	79,450
264.30	pension liabilities		18,472	24,416	-	42,888
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>94,797</b>	<b>27,541</b>	<b>-</b>	<b>122,338</b>
<b>Total Liabilities:</b>			<b>94,797</b>	<b>27,541</b>	<b>-</b>	<b>122,338</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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