



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Graham Fire & Rescue

For the period January 1, 2022 through December 31, 2023

Published May 19, 2025

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

May 19, 2025

Board of Commissioners
Graham Fire & Rescue
Graham, Washington

Report on Financial Statements

Please find attached our report on Graham Fire & Rescue's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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*

Graham Fire & Rescue January 1, 2022 through December 31, 2023

Board of Commissioners
Graham Fire & Rescue
Graham, 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 Graham Fire & Rescue, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 12, 2025.

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 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

May 12, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Graham Fire & Rescue January 1, 2022 through December 31, 2023

Board of Commissioners
Graham Fire & Rescue
Spanaway, Washington

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Graham Fire & Rescue, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinions on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Graham Fire & Rescue, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, on the basis of accounting described in Note 1.

Adverse Opinions 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 Graham Fire & Rescue, as of December 31, 2023 and 2022, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinions 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Matters of Emphasis

As discussed in Note 11 to the financial statements, citizens approved of the District's merger with Central Pierce Fire & Rescue in a special election held April 22, 2025. The merger will be effective on January 1, 2026. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedules of Liabilities were 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2025 on our consideration of the District's internal control over financial reporting and on the 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

May 12, 2025

FINANCIAL SECTION

Graham Fire & Rescue January 1, 2022 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
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SUPPLEMENTARY AND OTHER INFORMATION

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Schedule of Liabilities – 2022

Graham Fire & Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 General Fund	201 GO Bond Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	20,287,960	20,123,163	164,797
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	17,666,996	17,664,976	2,020
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	2,646,782	2,646,782	-
340	Charges for Goods and Services	10,787,168	10,787,168	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	713,808	705,793	8,015
Total Revenues:		31,814,754	31,804,719	10,035
Expenditures				
510	General Government	-	-	-
520	Public Safety	29,648,662	29,648,662	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		29,648,662	29,648,662	-
Excess (Deficiency) Revenues over Expenditures:		2,166,092	2,156,057	10,035
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	151,149	151,149	-
Total Other Increases in Fund Resources:		151,149	151,149	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	3,627,292	3,627,292	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	(715)	(715)	-
Total Other Decreases in Fund Resources:		3,626,577	3,626,577	-
Increase (Decrease) in Cash and Investments:		(1,309,336)	(1,319,371)	10,035
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	174,832	-	174,832
50841	Committed	-	-	-
50851	Assigned	11,110,548	11,110,548	-
50891	Unassigned	7,693,255	7,693,255	-
Total Ending Cash and Investments		18,978,635	18,803,803	174,832

The accompanying notes are an integral part of this statement.

Graham Fire & Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 General Fund	201 GO Bond Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	21,297,341	21,139,467	157,874
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	14,951,970	14,947,482	4,488
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	3,067,430	3,067,430	-
340	Charges for Goods and Services	9,393,488	9,393,488	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	225,810	223,375	2,435
Total Revenues:		27,638,698	27,631,775	6,923
Expenditures				
510	General Government	-	-	-
520	Public Safety	26,654,569	26,654,569	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		26,654,569	26,654,569	-
Excess (Deficiency) Revenues over Expenditures:		984,129	977,206	6,923
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	8,998	8,998	-
Total Other Increases in Fund Resources:		8,998	8,998	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	2,002,508	2,002,508	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		2,002,508	2,002,508	-
Increase (Decrease) in Cash and Investments:		(1,009,381)	(1,016,304)	6,923
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	164,797	-	164,797
50841	Committed	-	-	-
50851	Assigned	10,326,473	10,326,473	-
50891	Unassigned	9,796,690	9,796,690	-
Total Ending Cash and Investments		20,287,960	20,123,163	164,797

The accompanying notes are an integral part of this statement.

Graham Fire & Rescue
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		<u>Custodial</u>
308	Beginning Cash and Investments	52,805
388 & 588	Net Adjustments	-
310-390	Additions	30,480
510-590	Deductions	<u>29,250</u>
	Net Increase (Decrease) in Cash and Investments:	1,230
508	Ending Cash and Investments	54,036

The accompanying notes are an integral part of this statement.

Graham Fire & Rescue
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		<u>Custodial</u>
308	Beginning Cash and Investments	83,653
388 & 588	Net Adjustments	-
310-390	Additions	30,480
510-590	Deductions	<u>61,328</u>
	Net Increase (Decrease) in Cash and Investments:	(30,848)
508	Ending Cash and Investments	52,805

The accompanying notes are an integral part of this statement.

Graham Fire & Rescue / Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The Graham Fire & Rescue / Pierce County Fire Protection District No. 21) was incorporated in 1961 and operates under the laws of the state of Washington applicable to a fire district. The District is a special purpose local government and provides fire protection, emergency medical services, hazardous materials response, and rescue and fire prevention education services.

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 (see *Notes to 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 presented using classifications that are different from the ending net position classifications 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 total column is presented as "memo only" because any interfund activities are not eliminated. 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.

Graham Fire & Rescue / Pierce County Fire Protection District No. 21

Notes to the Financial Statements

For the year ended December 31, 2023

Capital Projects Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 3 - *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

24-hour shift employees of the Fire Fighter's Bargaining Unit may carry over accumulated vacation from year-to-year up to 288 hours, which is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,920 hours. LEOFF 2 employees who separate or retire from the District after the age of 53 will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar.

Compensatory time may be accumulated up to 96 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the currently hourly rate of pay.

24-hour shift employees of the Chief's Bargaining Unit may carry over accumulated vacation from year-to-year up to an amount equal to their annual accrual rate (maximum of 504 hours) and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,440 hours. LEOFF 2 employees who separate or retire from the District after the age of 53 will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar. Compensatory time may be accumulated up to 96 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

40-hour per week and FLSA exempt employees of the Chief's Bargaining Unit may carry over accumulated vacation from year-to-year up to an amount equal to their annual accrual rate (maximum of

Graham Fire & Rescue / Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2023

410 hours) and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,176 hours. LEOFF 2 employees who separate or retire from the District after the age of 53 will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar. Compensatory time may be accumulated up to 96 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

40-hour per week unrepresented employees may carry over accumulated vacation from year-to-year up to 240 hours and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,040 hours. Employees who separate or retire from the District after the age of 53 with 10 – 14 years of continuous employment with the District will receive payment for unused sick leave at a rate of \$0.25 (cents) on the dollar. Employees who separate or retire from the District after the age of 53 with 15 or more years of continuous employment with the District will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar. Compensatory time may be accumulated up to 80 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

Chief Officers under personal service agreements may carry over accumulated vacation from year-to-year up to 368 hours and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,320 hours. LEOFF 2 employees who separate or retire from the District after the age of 50 will receive payment for unused sick leave at a rate of \$0.60 (cents) on the dollar. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

Payments are recognized as expenditures when paid. The Total Cost of Compensated Absences as of December 31, 2023, is \$3,508,963.80.

F. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Fire Commissioners. When expenditures that meet restrictions are incurred, the District intends to use the most restricted resources first.

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
001 General Fund		18,803,803	18,803,803	By Resolution adopting the budget, committed funds for equipment and apparatus replacement plan, capital facilities plan, future OPEB related payments, and Minimum Fund Balance
201 GO Bonds	174,832		174,832	Remaining Bond Funds (matured in 2020)
630 PCHIT	54,036		54,036	Fiduciary Funds
Totals	228,868	18,803,803	19,032,671	

Restrictions and commitments of Ending Cash and Investments consist of \$19,032,671.

Graham Fire & Rescue / Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2023

Note 2 - Budget Compliance

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 - General Fund				
General Fund	50,126,940	33,275,230	16,851,711	We budgeted Ending Fund Balances, and, did not spend approximately \$943,000 that was budgeted. We had reduced training and professional development, delayed implementation of multiple software systems, and delayed professional service agreements, as well as some expenses coming in lower than anticipated.
GO Bond Fund	164,980		164,980	These are residual funds from a matured bond. No funds were budgeted to be spent in 2023. These funds were budgeted as Ending Fund Balance.
630 - Pierce County Hazardous Incident Team	84,300	29,249	55,051	We budget for an anticipated Ending Fund Balance.
	50,376,220	33,304,479	17,071,741	

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

Note 3 – Deposits and Investments

Investments are reported at fair value. Deposits and investments, by type, at December 31, 2023, are as follows:

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments	Deposits & investments held by the (City/Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
Local Government Investment Pool	13,437,761	0	13,437,761
Bank Deposits - Interim Account	262,306	0	262,306
Bank Deposits - Transport Account	978,697	0	978,697
Cash on Hand - Petty Cash	200	0	200
Cash on Hand - Expense Fund (686)	4,293,185	0	4,293,185
Cash on Hand - Reserve Fund (690)	1,233	0	1,233
Cash on Hand - GO Bond (692)	5,252	0	5,252
Cash on Hand - PCHIT (Custodial Fund)	0	54,036	54,036
Totals	18,978,635	54,036	19,032,671

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Graham Fire & Rescue / Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2023

Investments in the State Local Government Investment Pool (LGIP)

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.

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

Note 4 – Leases (Lessees)

During the year ended 2022, the District, adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement did not result in a lease liability on our Schedule of Liabilities for 2022 or 2023.

The District does not lease land or buildings at this time. The District does not lease any vehicles at this time. The District does lease two copy machines from Pacific Office Automation for \$500 per month under 5-year lease agreements, that end in 2024. The lease agreements can be canceled with 90-days' notice.

Note 5 – Other Postemployment Benefits (OPEB Plans)

The District administers a single-employer defined-benefit post-employment healthcare plan (the Plan). The plan provides medical, dental, vision and long-term care benefits to eligible LEOFF 1 retirees and medical benefits to eligible LEOFF 2 retirees. Dependents are eligible to enroll, but must pay 100% of the cost. The District had one retired LEOFF 1 member, five retired LEOFF 2 members, and 108 active LEOFF 2 members as of December 31, 2023. As of December 31, 2023, the District's total OPEB liability was \$7,908,389 as calculated using the alternative measurement method. The District contributed \$73,893.33 to the plan for the year ended December 31, 2023.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

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

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

Graham Fire & Rescue / Pierce County Fire Protection District No. 21

Notes to the Financial Statements

For the year ended December 31, 2023

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

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

Also, the DRS ACFR may be downloaded from the DRS website at 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 ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2023 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	43416.84	0.00637100%	2,282,732,000	145,433	
PERS 2/3	72499.17	0.00823100%	(4,098,683,000)		(337,363)
LEOFF 1		0.00378100%	(2,968,024,000)		(112,221)
LEOFF 2	849131.65	0.37619300%	(2,398,598,000)		(9,023,358)
VFFRPF	8	0.140000%	(19,931,000)		(27,467)
		Totals		\$ 145,433	\$ (9,500,409)

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.

Graham Fire & Rescue / Pierce County Fire Protection District No. 21

Notes to the Financial Statements

For the year ended December 31, 2023

Note 7 - Property Tax

The county treasurer acts as an agent to collect property tax 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 District. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The District's regular levy for the year 2023 was \$1.00 per \$1,000 on an assessed valuation of \$12,680,818,421, for a total regular levy of \$12,680,818.42.

The District's Emergency Medical Services levy for the year of 2023, was \$.399329183802 per \$1,000 on an assessed value of \$12,980,818,421, for a total EMS levy of \$5,063,820.87.

The District's Benefit Charge for year 2023, was \$7,817,800.

Note 8 – Risk Management

Graham Fire & Rescue is a member of the Enduris Washington (Pool). 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 contract for risk management, claims, and administrative services. The Pool was formed on 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. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims-made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that apply to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits, and member deductibles/co-pays by coverage type.

Graham Fire & Rescue / Pierce County Fire Protection District No. 21

Notes to the Financial Statements

For the year ended December 31, 2023

Coverage	Coverage Type	Pool Self- Insured Retention	Excess/ Reinsuranc e Limits	Member Deductible s/ Co-Pays (1)
Liability:				
General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	None	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Graham Fire & Rescue / Pierce County FD No 21

Notes to the Financial Statements

For the year ended December 31, 2023

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductible s/ Co-Pays ⁽¹⁾
Property ⁽²⁾:				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to a \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage ⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

(2) Property coverage for each member is based on a detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement according to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.

(3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.

Graham Fire & Rescue / Pierce County FD No 21

Notes to the Financial Statements

For the year ended December 31, 2023

- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled, and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sub-limit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/member's property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements above the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year. They must give notice 60 days before renewal to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contributing to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims.

The Pool is governed by a Board of Directors comprising 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 overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 9 – SBITA (Lessees)

During 2023, the District adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement did not result in the addition of a subscription liability reported on the Schedule of Liabilities.

The District does not have any SBITA agreements that only one party can extend or cancel, and all software agreements are on a 12 month or less basis, requiring both parties to agree to extend or cancel the agreements.

Graham Fire & Rescue / Pierce County FD No 21
Notes to the Financial Statements
For the year ended December 31, 2023

Note 10 – Other Disclosures

Pierce County Hazardous Incident Team (PCHIT) – Graham Fire & Rescue/Pierce County Fire District No. 21 is the lead agency for a Regional HazMat Team. Other members of the team are Pierce County Fire Protection District Nos. 3, 5, 6, & East Pierce Fire & Rescue. An Interlocal Agreement, signed by the five agencies, sets forth the purpose, program delivery, funding, terms, board composition and authority, qualifications/staffing and service delivery to others. The Agreement was signed by each agency's Board of Fire Commissioners in May 2007. On an annual basis, each agency contributes \$6,000 for equipment purchasing and maintenance. Each agency also pays \$10 per month to PCFPD No. 21 as an administration fee. In 2008, an Agreement for Services was sent out to each fire district in Pierce County. Once signed, this Agreement allows districts to request assistance from the Regional HazMat Team. The same agreement was signed by the City of Olympia in 2015. Cost for response services is based on the latest Washington State Fire Chief's Response Rates.

Note 11 – Subsequent Events

Effective January 1, 2025, Graham Fire & Rescue/Pierce County Fire District No. 21 (GFR) is under a contract for services with Central Pierce Fire & Rescue (CPFR). The intention of the contract is to begin blending both departments together, with the intention of placing a proposition to the voters of GFR on the ballot in the Special Election on April 22, 2025. The immediate changes for GFR include: transferring of employees to CPFR, pass through of revenues to CPFR to facilitate expense payments, to provide all fire protection, emergency medical services and all other services provided by CPFR within GFR, without regard to jurisdiction boundaries, and administrative services.

On April 22, 2025, the citizens of Graham Fire & Rescue fire district voted (to be certified on May 2, 2025) to approve a merger into Central Pierce Fire & Rescue effective January 1, 2026.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The Pierce County Fire Protection District No. 21 (District) was incorporated on 1961 and operates under the laws of the state of Washington applicable to a fire district. The district is a special purpose local government and provides fire protection, emergency medical services, hazardous materials response, and rescue and fire prevention education services.

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 (see *Notes to 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 presented using classifications that are different from the ending net position classifications 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 total column is presented as "memo only" because any interfund activities are not eliminated. 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.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Capital Projects Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

24-hour shift employees of the Fire Fighter's Bargaining Unit may carry over accumulated vacation from year-to-year up to 288 hours, which is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,920 hours. LEOFF 2 employees who separate or retire from the District after the age of 53 will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar.

Compensatory time may be accumulated up to 96 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time as separation will be paid at the currently hourly rate of pay.

24-hour shift employees of the Chief's Bargaining Unit may carry over accumulated vacation from year-to-year up to an amount equal to their annual accrual rate (maximum of 504 hours) and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,440 hours. LEOFF 2 employees who separate or retire from the District after the age of 53 will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar. Compensatory time may be accumulated up to 96 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

40-hour per week and FLSA exempt employees of the Chief's Bargaining Unit may carry over accumulated vacation from year-to-year up to an amount equal to their annual accrual rate (maximum of 410 hours) and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,176 hours. LEOFF 2 employees who separate or retire from the District after the age of 53 will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar. Compensatory time may be accumulated up to 96 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

40-hour per week unrepresented employees may carry over accumulated vacation from year-to-year up to 240 hours and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,040 hours. Employees who separate or retire from the District after the age of 53 with 10 – 14 years of continuous employment with the District will receive payment for unused sick leave at a rate of \$0.25 (cents) on the dollar. Employees who separate or retire from the District after the age of 53 with 15 or more years of continuous employment with the District will receive payment for unused sick leave at a rate of \$0.375 (cents) on the dollar. Compensatory time may be accumulated up to 80 hours, can be carried from year-to-year and is cashed out at the current hourly rate of pay if not used by separation of employment. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

Chief Officers under personal service agreements may carry over accumulated vacation from year-to-year up to 368 hours and is payable at the current hourly rate of pay at separation. Sick leave may be accumulated up to 1,320 hours. LEOFF 2 employees who separate or retire from the District after the age of 50 will receive payment for unused sick leave at a rate of \$0.60 (cents) on the dollar. Holiday time cannot be carried over from year-to-year, but earned, unused time at separation will be paid at the current hourly rate of pay.

Payments are recognized as expenditures when paid. The Total Cost of Compensated Absences as of December 31, 2022, is \$3,396,490.01.

F. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Fire Commissioners. When expenditures that meet restrictions are incurred, the District intends to use the most restricted resources first.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
201 GO Bonds	164,797		164,797	Remaining Bond Funds
630 PCHIT	52,805		52,805	Fiduciary Funds
001 General Fund		20,123,163	20,123,163	By Resolution adopting budget, committed funds for equipment replacement plan, apparatus replacement plan, capital facilities plan, future OPEB related payments, funding of additional staff (Road to 24), and Minimum Fund Balance.
<i>Totals</i>	217,602	20,123,163	20,340,766	

Restrictions and commitments of Ending Cash and Investments consist of \$20,340,766.

Note 2 - Budget Compliance

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 - General Fund	46,544,910	28,657,073	17,887,887	In the 2022 budget, we began budgeting for and recognizing our Ending Fund Balances. We budgeted to have approximately \$18.6 million in Ending Fund Balance. In 2022, our Board of Fire Commissioners approved using \$1.5 million from our Apparatus Replacement Funds to purchase two new fire engines. These fire engines are on our Apparatus Replacement plan and we planned to receive and pay for the two new engines in 2025. We received a \$70,000 discount for paying for the fire engines at the time they were ordered.
201 - GO Bond Fund	147,100	-	147,100	An Ending Fund Balance was budgeted for the GO Bond Fund for 2022, to account for and recognize the funds available. No funds were spent from the GO Bond Fund in 2022.
301 - Construction Fund	-	-	-	No funds are in or were budgeted for in this Fund for 2022.
630 - PC HIT	115,480	61,328	54,152	In the 2022 budget, we began budgeting for and recognizing our Ending Fund Balances to better reflect the funds we have. PCHIT carried over \$54,152 into 2023.
	\$ 46,807,490			

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.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Note 3 – 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.

COVID 19 Pandemic Disclosure Details

Due to the ongoing pandemic, Governor's Emergency Declaration, spikes in positive covid-19 cases, and directives from the Tacoma-Pierce County Health Department and WA State Labor & Industries, our District continued to have our stations closed to the public for most of 2022, and continues to perform heightened cleaning and sanitizing procedures, as well as wearing additional PPE when responding to specific calls.

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.

Note 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	District's own deposits & investments	Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations.	Combined
Local Government Investment Pool	12,771,720	0	12,771,720
Bank deposits - Interim Account	190,755	0	190,755
Bank Deposits - Transport Account	755,864	0	755,864
Cash on Hand - Petty Cash	200	0	200
Cash on Hand - Expense Fund (686)	6,564,959	0	6,564,959
Cash on Hand - Reserve Fund (690)	1,230	0	1,230
Cash on Hand - GO Bond (692)	3,233	0	3,233
PCHIT - Custodial Fund (630)		52,805	52,805
<i>Totals</i>	20,287,961	52,805	20,340,766

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Investments in the State Local Government Investment Pool (LGIP)

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.

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

Note 5 – Leases

During the year ended 2022, the District, adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement did not result in a lease liability on our Schedule of Liabilities.

The District does not lease land or buildings at this time. The District does not lease any vehicles at this time. The District does lease two copy machines from Pacific Office Automation for \$500 per month under 5-year lease agreements that end in 2023. The leases agreements can be canceled with 90-days' notice.

Note 6 – Other Postemployment Benefits (OPEB Plans)

The District administers a single-employer defined-benefit post-employment healthcare plan (the Plan). The plan provides medical, dental, vision and long-term care benefits to eligible LEOFF 1 retirees and medical benefits to eligible LEOFF 2 retirees. Dependents are eligible to enroll, but must pay 100% of the cost. The District had one retired LEOFF 1 member, four retired LEOFF 2 members, and 103 active LEOFF 2 members as of December 31, 2022. As of December 31, 2022, the District's total OPEB liability was \$5,883,117 as calculated using the alternative measurement method. The District contributed \$67,231 to the plan for the year ended December 31, 2022.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

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

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

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

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.

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 ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2022 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	38765.64	0.00632500%	2,784,367,000	176,111	
PERS 2/3	66150.32	0.00823400%	(3,708,781,000)		(305,381)
LEOFF 1		0.00369000%	(2,868,613,000)		(105,852)
LEOFF 2	739143.06	0.35702200%	(2,717,698,000)		(9,702,780)
VFFRPF	8	0.130000%	(22,005,000)		(27,775)
		Totals		\$ 176,111	\$ (10,141,788)

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.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Note 8 - Property Tax

The county treasurer acts as an agent to collect property tax 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 District. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The District's regular levy for the year 2022 was \$1.00 per \$1,000 on an assessed valuation of \$10,291,087,379, for a total regular levy of \$10,291,087.

The District's Emergency Medical Services levy for the year of 2022, was \$.4543572221 per \$1,000 on an assessed value of \$10,291,087,379 for a total EMS levy of \$4,675,830.

The District's Benefit Charge for year 2022, was \$7,517,100.

Note 9 – Risk Management

Graham Fire & Rescue is a member of the Enduris Washington (Pool). 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. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims-made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.

Pierce County Fire Protection District No. 21
Notes to the Financial Statements
For the year ended December 31, 2022

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
(6)	Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.			
(7)	Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.			
(8)	Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.			
(9)	Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.			
(10)	Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.			

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

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 overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 10 – Other Disclosures

Pierce County Hazardous Incident Team (PCHIT) - Pierce County Fire District No. 21 is the lead agency for a Regional HazMat Team. Other members of the team are Pierce County Fire Protection District Nos. 3, 5, 6, & East Pierce Fire & Rescue. An Interlocal Agreement, signed by the five agencies, sets forth the purpose, program delivery, funding, terms, board composition and authority, qualifications/staffing and service delivery to others. The Agreement was signed by each agency's Board of Fire Commissioners in May 2007. On an annual basis, each agency contributes \$6,000 for equipment purchasing and maintenance. Each agency also pays \$10 per month to PCFPD No. 21 as an administration fee. In 2008, an Agreement for Services was sent out to each fire district in Pierce County. Once signed, this Agreement allows districts to request assistance from the Regional HazMat Team. The same agreement was signed by the City of Olympia in 2015. Cost for response services is based on the latest Washington State Fire Chief's Response Rates.

Graham Fire & Rescue
Schedule of Liabilities
For the Year Ended December 31, 2023

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension - PERS 1 UAAL		176,111	-	30,678	145,433
259.12	Compensated Absences		3,396,491	112,472	-	3,508,963
264.40	OPEB LEOFF 1 and LEOFF 2		5,883,117	2,025,272	-	7,908,389
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,455,719	2,137,744	30,678	11,562,785
Total Liabilities:			9,455,719	2,137,744	30,678	11,562,785

Graham Fire & Rescue
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	1/1/1900	2,894,051	502,440	-	3,396,491
264.40	OPEB LEOFF 1 and LEOFF 2	1/1/1900	6,348,775	-	465,658	5,883,117
264.30	Pension - PERS 1 UAAL	1/1/1900	73,005	103,106	-	176,111
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,315,831	605,546	465,658	9,455,719
Total Liabilities:			9,315,831	605,546	465,658	9,455,719

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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. Additionally, we share regular news and other information via an email subscription service and social media channels.

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