Office of the Washington State Auditor
Pat McCarthy

**Financial Statements Audit Report**

# Thurston County Fire Protection District No. 3

## (Lacey Fire District 3)

**For the period January 1, 2021 through December 31, 2021**

*Published October 31, 2022*

Report No. 1031364

# Office of the Washington State Auditor
# Pat McCarthy

October 31, 2022

Board of Commissioners
Lacey Fire District 3
Lacey, Washington

## Report on Financial Statements

Please find attached our report on Lacey Fire District 3'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

### *Americans with Disabilities*

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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**Lacey Fire District 3**
**January 1, 2021 through December 31, 2021**

Board of Commissioners
Lacey Fire District 3
Lacey, 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 Lacey Fire District 3, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 27, 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.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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. 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 or significant deficiencies may exist that were not identified.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated October 27, 2022.

## 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.

Pat McCarthy, State Auditor

Olympia, WA

October 27, 2022

# INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

**Lacey Fire District 3**
**January 1, 2021 through December 31, 2021**

Board of Commissioners
Lacey Fire District 3
Lacey, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Unmodified and Adverse Opinions

We have audited the financial statements of Lacey Fire District 3, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

### Unmodified Opinion 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 Lacey Fire District 3, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

### 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 Lacey Fire District 3, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year 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 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. 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.

## 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.

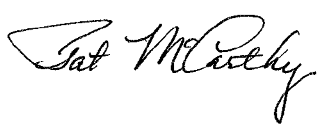
## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 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.



Pat McCarthy, State Auditor

Olympia, WA

October 27, 2022

# FINANCIAL SECTION

**Lacey Fire District 3**
**January 1, 2021 through December 31, 2021**

## FINANCIAL STATEMENTS



## SUPPLEMENTARY AND OTHER INFORMATION

# Thurston County Fire Protection District No. 3
# Fund Resources and Uses Arising from Cash Transactions
# For the Year Ended December 31, 2021

| | | Total for All Funds (Memo Only) | 001 General | 201 Bond | 202 Bond |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 308 | Beginning Cash and Investments | 13,428,069 | 6,739,123 | 57,375 | 33,010 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | 21,503,815 | 20,296,794 | 2,876 | 1,204,145 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 299,877 | 299,833 | - | 44 |
| 340 | Charges for Goods and Services | 5,409,897 | 5,409,897 | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 758,028 | 717,239 | 612 | 1,433 |
| Total Revenues: | | 27,971,617 | 26,723,763 | 3,488 | 1,205,622 |
| **Expenditures** | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | 24,163,413 | 24,163,413 | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 24,163,413 | 24,163,413 | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 3,808,204 | 2,560,350 | 3,488 | 1,205,622 |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 218,489 | - | 90,000 | 3,489 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 4,291 | 4,291 | - | - |
| Total Other Increases in Fund Resources: | | 222,780 | 4,291 | 90,000 | 3,489 |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | 2,476,750 | 529,724 | - | - |
| 591-593, 599 | Debt Service | 1,253,532 | - | 87,405 | 1,166,127 |
| 597 | Transfers-Out | 218,489 | 215,000 | 3,489 | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 3,948,771 | 744,724 | 90,894 | 1,166,127 |
| **Increase (Decrease) in Cash and Investments:** | | **82,213** | **1,819,917** | **2,594** | **42,984** |
| **Ending Cash and Investments** | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 4,543,511 | - | 59,969 | 75,994 |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 1,857,203 | 1,449,472 | - | - |
| 50891 | Unassigned | 7,109,568 | 7,109,568 | - | - |
| **Total Ending Cash and Investments** | | **13,510,282** | **8,559,040** | **59,969** | **75,994** |

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

# Thurston County Fire Protection District No. 3
# Fund Resources and Uses Arising from Cash Transactions
# For the Year Ended December 31, 2021

| | | 301 Capital | 307 Capital |
|---|---|---|---|
| **Beginning Cash and Investments** | | | |
| 308 | Beginning Cash and Investments | 341,881 | 6,256,680 |
| 388 / 588 | Net Adjustments | - | - |
| **Revenues** | | | |
| 310 | Taxes | - | - |
| 320 | Licenses and Permits | - | - |
| 330 | Intergovernmental Revenues | - | - |
| 340 | Charges for Goods and Services | - | - |
| 350 | Fines and Penalties | - | - |
| 360 | Miscellaneous Revenues | 1,972 | 36,772 |
| Total Revenues: | | 1,972 | 36,772 |
| **Expenditures** | | | |
| 510 | General Government | - | - |
| 520 | Public Safety | - | - |
| 530 | Utilities | - | - |
| 540 | Transportation | - | - |
| 550 | Natural/Economic Environment | - | - |
| 560 | Social Services | - | - |
| 570 | Culture and Recreation | - | - |
| Total Expenditures: | | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 1,972 | 36,772 |
| **Other Increases in Fund Resources** | | | |
| 391-393, 596 | Debt Proceeds | - | - |
| 397 | Transfers-In | 125,000 | - |
| 385 | Special or Extraordinary Items | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - |
| Total Other Increases in Fund Resources: | | 125,000 | - |
| **Other Decreases in Fund Resources** | | | |
| 594-595 | Capital Expenditures | 61,122 | 1,885,904 |
| 591-593, 599 | Debt Service | - | - |
| 597 | Transfers-Out | - | - |
| 585 | Special or Extraordinary Items | - | - |
| 581, 582, 589 | Other Uses | - | - |
| Total Other Decreases in Fund Resources: | | 61,122 | 1,885,904 |
| **Increase (Decrease) in Cash and Investments:** | | **65,850** | **(1,849,132)** |
| **Ending Cash and Investments** | | | |
| 50821 | Nonspendable | - | - |
| 50831 | Restricted | - | 4,407,548 |
| 50841 | Committed | - | - |
| 50851 | Assigned | 407,731 | - |
| 50891 | Unassigned | - | - |
| **Total Ending Cash and Investments** | | **407,731** | **4,407,548** |

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

**THURSTON COUNTY FIRE PROTECTION DISTRICT THREE – MCAG #1346**
**Notes to the Financial Statements**
**For the year ended December 31, 2021**

## Note 1 - Summary of Significant Accounting Policies

Thurston County Fire Protection District Number Three (hereinafter referred to as "The District") was incorporated in 1948 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 and emergency medical response services to the general public and is supported primarily through property taxes.

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

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

A. Fund Accounting

Financial transactions of the District 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 District'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 District has no fiduciary funds. 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.

Capital Projects Funds

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

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

Vacation leave may be accumulated up to 240 hours. Balances in excess of the maximum 240 hours at year-end are reduced to the maximum amount unless an exception is granted by the Fire Chief. Vacation accrual is payable up to a maximum of 240 hours upon separation or retirement.

Sick leave may be accumulated up to 1,440 hours and may be used for paid time off for any FMLA designated purpose. Upon resignation or layoff, members (labor and non-labor) with five (5) or more years of service shall be paid fifteen percent (15%) (members) or twenty five percent (25%) (non-members) sick leave balance at separation or the average end-of-calendar-year sick leave balance for the most recent three (3) full years, whichever is lower. Upon retirement or the award of a duty disability pension, members with five (5) or more years of service shall be paid a total of fifty percent (50%) of the member's sick leave balance at separation or the average end-of-calendar-year sick leave balance for the most recent three (3) full years, whichever total is lower. In the event of a line-of-duty death, the designated beneficiary will receive one hundred percent (100%) of the member's sick leave balance at the time of death.

Member's eligible for retirement or awarded a duty disability pension with twenty (20) or more years of service shall be paid a total of seventy-five (75%) of the member's sick leave balance or the cash value equivalent of six hundred dollars ($600.00) per month for every month up to the age of sixty-five (65) with a maximum 144 month cap.

Notification and payment shall be made as follows:

- Payment for retirees or duty disability pensions will be made in three (3) installments over a three (3) year period; one-third (1/3) at separation, one-third (1/3) mid-year of the second year, and one-third (1/3) mid-year of the third year.

On December 31st of each year, bargaining unit members with a balance in their sick leave bank exceeding 1440 hours will have their balance reduced to 1440 hours. Any hours above the 1440-hour "cap" shall be applied to the Employee's Medical Expense Reimbursement Program (MERP) plan at 25% of the employee's hourly rate. Non-Bargaining unit members of the district with sick leave balances in excess of 1440 have the balance reduced to the maximum allowable 1440 hours.

All sick leave cash outs will be allocated into the employee's Employer adopted, HRA VEBA plan. All payments are recognized as expenditures when paid.

As of December 31, 2021 the total compensated leave balance liability as adjusted by policy was $1,866,985.

Please refer to Schedule 9.

F. Long-Term Debt

See Note 6, *Long Term Debt*

G. Ending Fund Balances including Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or assigned 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 restricted resources first.

Restrictions and assignments of Ending Cash and Investments consist of portions of the balance of the General Fund, Bond Debt Fund (201), the entire balance of the 2017/2019 Bond Debt Fund (202) and the entire balance of the Capital Projects Fund 307. Please refer to Schedule 1 for complete detail.

| | Ending Unassigned Cash | Ending Assigned Cash | Ending Restricted Cash |
|---|---|---|---|
| General Fund 001 | $ 7,109,568 | $ - | $ - |
| Donation Fund 101 - General | $ - | $ 22,932 | $ - |
| Reserve Fund 102 - General | $ - | $ 647,213 | $ - |
| Equipment Repair and Replacement Fund 103 - General | $ - | $ 779,327 | $ - |
| Bond Fund 201 | $ - | $ - | $ 59,969 |
| Bond Fund 202 - 2017/2019 | $ - | $ - | $ 75,994 |
| Capital Improvement Projects Fund 301 - Non Bond Funded | $ - | $ 407,731 | $ - |
| Capital Projects Funds 307 - Bond Funded | $ - | $ - | $ 4,407,548 |
| | $ 7,109,568 | $ 1,857,203 | $ 4,543,511 |

## 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 2021 appropriated and actual expenditures for the legally adopted budgets were as follow:

| Fund | Budget | Actual | Variance |
|---|---|---|---|
| General Funds | $ 32,202,177 | $ 24,908,136 | $ 7,294,041 |
| Bond Funds | $ 1,504,360 | $ 1,257,020 | $ 247,340 |
| Capital Fund - Non Bond Funded | $ 369,740 | $ 61,122 | $ 308,618 |
| Capital Fund - Bond Funded | $ 6,767,281 | $ 1,885,905 | $ 4,881,376 |

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

## Note 3 – Deposits and Investments

It is the District's policy to invest all temporary cash surpluses using the Thurston County Investment Pool. The interest on these investments is prorated to the various funds. As of December 31, 2021, the District had a total balance on deposit at Thurston County of $13,510,282.

Investments in Thurston County Investment Pool

The District is a participant in the Thurston County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the TCIP are reported at fair value, which, as of 12/31/2021, is reporting at an unrealized loss from book value of 0.7305%. The TCIP does not impose any restrictions on participant withdrawals.

The Thurston county Investment Pool does not have a credit rating and had a **weighted average maturity** of 2.13 years as of December 31, 2021

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, 2021, to calculate the fair value of your investments, use the following multiplier:

**Fair Value Multiplier (1)**

.992695

(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 August 31, 2021 would be calculated by taking $1,000,000 times .992695 or $992,695.

## Note 4 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel and in-person interactions.

The District, an essential business, continues to respond to the effects of this pandemic. We are significantly impacted by COVID 19. Equipping our responders adequately, to perform services to the citizens of our District who may or may not be infected by the virus is a multi-level challenge. Securing appropriate personal protective equipment (PPE) including masks, gloves and gowns for all responders and staff is crucial. The accessibility and availability of most PPE has improved but still can be a challenge due to supply chain issues. Additionally, the District needs to train first responders with updated information and education on identification and treatment/care and precaution protocols for patients exhibiting or thought to exhibit the symptoms of the virus. This is an important and time-consuming body of work. Finally, staffing continues to be impacted by the virus. Testing and quarantine occurs when a member or employee is thought to be or is potentially infected based on established public health directives and guidance. Appropriate contract tracing and other safeguards are put into place. If a member is quarantined, we must backfill the position with another responder, usually at an overtime rate of pay. This is a costly consequence of the virus. Thankfully, the Federal government via FEMA has been able to provide some financial assistance to help defray these costs.

A coding method is used to track any labor or supply expenditure related to COVID 19. Finance and other staff participated in extensive virtual training offered by FEMA and other sources. The District entered into a Public Assistance reimbursement process with FEMA in an effort to defray all allowable disaster related expenditures. FEMA continues to be very responsive in providing financial support during 2021.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the District is unknown at this time. Requirements and actions to prevent the spread of this virus are dynamic. The District intends to respond appropriately to more stringent or conversely more relaxed requirements based on regulation and current public health best practice.

## Note 5 - 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 the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The District's regular levy for the year 2021 was $1.50 per $1,000 on an assessed valuation of $13,612,785,547 for a total regular levy of $20,419,178.32.

The District's bond (voted 2017) debt levy for the year 2021 was $.09639603774 per $1,000 on an assessed valuation of $13,435,704,532 for a total additional levy of $1,217,850.70.

- As of December 31, 2021, approximately 99.4% of the District's *ad valorem* taxes levied in 2021 were collected.

## Note 6 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2021. No new debt was assumed.

The debt service requirements for general obligation bonds, revenue bonds and other debts, including both principal and interest, are as follows:

| | Principal | | Interest | | Total | |
|---|---|---|---|---|---|---|
| 2022 | $ | 615,000 | $ | 691,575 | $ | 1,306,575 |
| 2023 | $ | 660,000 | $ | 672,800 | $ | 1,332,800 |
| 2024 | $ | 720,000 | $ | 652,675 | $ | 1,372,675 |
| 2025 | $ | 790,000 | $ | 627,700 | $ | 1,417,700 |
| 2026 | $ | 860,000 | $ | 600,250 | $ | 1,460,250 |
| 2027-2031 | $ | 5,520,000 | $ | 2,496,400 | $ | 8,016,400 |
| 2032-2036 | $ | 7,555,000 | $ | 1,328,600 | $ | 8,883,600 |
| 2037 | $ | 1,880,000 | $ | 75,200 | $ | 1,955,200 |
| **Totals** | **$** | **18,600,000** | **$** | **7,145,200** | **$** | **25,745,200** |

## Note 7 – Other Post Employment Benefit Plans

The District provides another post-employment benefit plan (OPEB) namely health insurance and medical services benefits in accordance with Plan 1 of the Law Enforcement Officers and Firefighters Retirement System (LEOFF 1).

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the District as required by RCW 41.26. As of December 31, 2021, the plan had six (6) members, all retirees. The Thurston County Disability Board (TCDB) administers the medical services provisions of the LEOFF 1 plan. The District is required to pay for necessary medical services not covered by insurance and/or Medicare to include dental and vision. The TCDB decides whether medical services are necessary and determines "reasonable" cost. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis.

As of December 31, 2021, the District's total OPEB liability was $2,774,233, as calculated using the alternative measurement method including excise tax, as provided by the Washington State Office of the State Actuary. For the year ended December 31, 2021, the District's actual expense for covered plan members was $87,281 and included LEOFF 1 retiree health benefits, Medicare premiums and other eligible medical expenses.

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all of 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, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans: LEOFF 2 and PERS 2/3.

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 that includes financial statements and required supplementary information for each plan. The DRS comprehensive annual financial report may be obtained by writing to:

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

The DRS comprehensive annual financial report may be downloaded from the DRS website at 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 https://vff.wa.gov . Detailed information about the plan is included in the State of Washington comprehensive annual financial report available from the Office of Financial Management website at https://www.ofm.wa.gov.

At June 30, 2021 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows (pursuant to SAO instructions, assets were not included on Schedule 09, but are listed in these Notes as "assets" in parenthesis):

| | Allocation % | Liability (Asset) |
|---|---:|---:|
| PERS 1 | .007268% | $88,759 |
| PERS 2/3 | .009347% | $(931,112) |
| LEOFF I | .016376% | $(560,970) |
| LEOFF 2 | .386175% | $(22,430,643) |
| VFFRPF | .20% | $(44,119) |

LEOFF Plan 1

The District participated in LEOFF Plan 1. All District LEOFF 1 employees are retired. As of December 31, 2021, the District had six (6) LEOFF Plan 1 retirees. 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 July 1, 2000 employers and employees contribute zero percent.

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

**Note 9 – Risk Management**

The District maintains insurance against most normal hazards except for unemployment insurance. All unemployment claims are processed and paid by the Washington State Employment Security Department, which then bills the District for reimbursement.

***WFCA Health Care Program*** – The District is a member of the Washington Fire Commissioners Association Health Care Program ("The Trust"). The Trust is funded by member organization premiums deposited into the Insurance Rate Stabilization Reserve Account (IRSRA). The IRSRA was created by WFCA Board of Directors Resolution 12-80(b) in 1999 to improve and facilitate the provision of medical and dental insurance for member fire service organization employees and their families. The self-insurance risk pool complies with the requirements of Chapter 48.62 RCW (Local Government Insurance Transactions), Chapter 200-110 WAC (Local Government Self-Insurance Health and Welfare Program Requirements) and Chapter 30.34 RCW (Interlocal Cooperation Act).

The District is a signatory to the WFCA Health Care Program Interlocal Agreement specifying the responsibilities of participating member organizations and the WFCA Health Care Program. The WFCA Health Care Program provides access to self-insured and insured medical plans, dental plans and life insurance coverage. The fire service organizations' financial exposure is limited to monthly premium contributions made to the IRSRA for the purchase of medical, dental and life insurance coverage. The WFCA Health Care Program maintains stop loss insurance and has funding reserves that meet and exceed state solvency requirements.

The operations of the WFCA Health Care Program are overseen by a five-member Health Care Committee appointed by the Board of Directors. The Health Care Committee reviews and analyzes the operational needs, benefit and rate changes and makes recommendations to the Board of Directors. Final decisions are made by the WFCA Board of Directors.

***Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP)*** –
The District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the

joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of $1.5 million through Commencement Bay Risk Management, and Kaiser ISL at $1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer’s termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The

Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

## Note 10 - Other Disclosures

During 2021, Deputy Chief of Administration Kathy Dickson, retired after 30 plus years with the District. A successful nationwide search was undertaken to find her replacement. We hired Michael Cerovski to fill the position vacated by Dickson. DC Cerovski started work in July 2021. He held a similar position in Loveland, Colorado.

In November of 2020, the voters in the Fire District approved a measure authorizing the levy of regular property taxes in excess of the limitations of Chapter 84.55 RCW for specified purposes, including fire protection, prevention and emergency medical services in the District. In 2021, the regular property tax rate was $1.427. The "levy lid lift" measure authorized an increase in the levy rate up to the $1.50 per $1,000 of assessed value starting in 2021. The measure further authorized an exception from the one percent (1%) annual increase in levy rate up to a six percent (6%) annual increase in the levy rate for up to six years.

In November of 2017, the voters in the Fire District approved a measure authorizing a 20-year $19,115,000 bond for Capital Equipment and Facilities. The debt issuance was divided roughly in half and distributed in two periods 1) upon initial voter approval in 2017 and, 2) in December of 2019. Key bond funded purchases include new fire apparatus and other equipment, the construction of a new fire station (District Station #34) and much needed remodeling and upgrades to most facilities throughout the District.

# Thurston County Fire Protection District No. 3
## Schedule of Liabilities
## For the Year Ended December 31, 2021

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|---|---|
| **General Obligation Debt/Liabilities** | | | | | | |
| 251.11 | LTGO Bond 2012 | 12/1/2031 | 795,000 | - | 60,000 | 735,000 |
| 251.12 | UTGO Bond 2019A | 12/1/2037 | 8,970,000 | - | - | 8,970,000 |
| 251.12 | UTGO Bond 2019B | 12/1/2021 | 265,000 | - | 265,000 | - |
| 251.12 | UTGO Bond 2017 | 12/1/2037 | 9,115,000 | - | 220,000 | 8,895,000 |
| | **Total General Obligation Debt/Liabilities:** | | **19,145,000** | **-** | **545,000** | **18,600,000** |
| **Revenue and Other (non G.O.) Debt/Liabilities** | | | | | | |
| 259.12 | Compensated Absences | | 1,887,296 | - | 20,311 | 1,866,985 |
| 264.30 | Pension Liabilities | | 329,914 | - | 241,155 | 88,759 |
| 264.40 | Other Post Employment Benefits | | 3,236,162 | - | 461,929 | 2,774,233 |
| | **Total Revenue and Other (non G.O.) Debt/Liabilities:** | | **5,453,372** | **-** | **723,395** | **4,729,977** |
| | **Total Liabilities:** | | **24,598,372** | **-** | **1,268,395** | **23,329,977** |

## 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.

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