



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Jefferson County Fire Protection
District No. 1
(East Jefferson Fire Rescue)

For the period January 1, 2016 through December 31, 2017

Published December 27, 2018

Report No. 1022963





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

December 27, 2018

Board of Commissioners
East Jefferson Fire Rescue
Port Townsend, Washington

Report on Financial Statements

Please find attached our report on East Jefferson Fire Rescue's financial statements.

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**East Jefferson Fire Rescue
January 1, 2016 through December 31, 2017**

Board of Commissioners
East Jefferson Fire Rescue
Port Townsend, 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 East Jefferson Fire Rescue, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 20, 2018.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

December 20, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

East Jefferson Fire Rescue January 1, 2016 through December 31, 2017

Board of Commissioners
East Jefferson Fire Rescue
Port Townsend, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of East Jefferson Fire Rescue, for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of East Jefferson Fire Rescue, for the years ended December 31, 2017 and 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of East Jefferson Fire Rescue, as of December 31, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

December 20, 2018

FINANCIAL SECTION

East Jefferson Fire Rescue January 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017

Fund Resources and Uses Arising from Cash Transactions – 2016

Notes to Financial Statements – 2017

Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017

Schedule of Liabilities – 2016

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		<u>Total for All Funds (Memo Only)</u>	<u>001 Fire Fund #656001010</u>	<u>101 EMS Fund #657001100</u>	<u>210 LTGO Bond 2010 Fund 656001040</u>
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	4,162,355	2,709,664	1,452,691	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,912,179	2,115,758	796,421	-
320	Licenses and Permits	3,700	3,700	-	-
330	Intergovernmental Revenues	9,200	5,333	3,867	-
340	Charges for Goods and Services	3,774,817	1,630,208	2,144,609	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	75,851	51,386	24,465	-
Total Revenues:		<u>6,775,748</u>	<u>3,806,385</u>	<u>2,969,363</u>	<u>-</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	5,850,608	3,086,742	2,763,866	-
Total Expenditures:		<u>5,850,608</u>	<u>3,086,742</u>	<u>2,763,866</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		925,140	719,643	205,496	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	500,000	500,000	-	-
397	Transfers-In	1,178,840	60,000	763,315	37,438
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	120	-	120	-
381, 395, 398	Other Resources	16,746	16,171	575	-
Total Other Increases in Fund Resources:		<u>1,695,707</u>	<u>576,171</u>	<u>764,010</u>	<u>37,438</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	761,306	105	761,201	-
591-593, 599	Debt Service	355,525	-	-	37,438
597	Transfers-Out	1,178,840	1,118,840	60,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		<u>2,295,671</u>	<u>1,118,945</u>	<u>821,201</u>	<u>37,438</u>
Increase (Decrease) in Cash and Investments:		325,175	176,869	148,305	1
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	4,487,530	2,886,532	1,600,997	-
Total Ending Cash and Investments		4,487,530	2,886,532	1,600,997	-

The accompanying notes are an integral part of this statement.

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		213 LTGO Bond 2013 Fund 656001020
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		-
Expenditures		
510	General Government	-
520	Public Safety	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		-
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	318,088
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		318,088
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	318,088
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		318,088
Increase (Decrease) in Cash and Investments:		1
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	-
Total Ending Cash and Investments		-

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 Fire Fund #656001010	101 EMS Fund #657001100	210 LTGO Bond 2010 Fund 656001040
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	4,013,844	2,639,638	1,374,207	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,762,695	2,006,892	755,803	-
320	Licenses and Permits	3,300	3,300	-	-
330	Intergovernmental Revenues	7,362	4,197	3,165	-
340	Charges for Goods and Services	3,706,453	1,780,588	1,925,865	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	74,401	47,709	26,692	-
Total Revenues:		6,554,210	3,842,685	2,711,525	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	5,451,518	2,812,798	2,638,719	-
Total Expenditures:		5,451,518	2,812,798	2,638,719	-
Excess (Deficiency) Revenues over Expenditures:		1,102,692	1,029,887	72,806	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	357,925	-	-	38,038
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,221	1,000	221	-
381, 395, 398	Other Resources	10,321	4,864	5,458	-
Total Other Increases in Fund Resources:		369,467	5,864	5,679	38,038
Other Decreases in Fund Resources					
594-595	Capital Expenditures	511,882	511,882	-	-
591-593, 599	Debt Service	453,843	95,918	-	38,038
597	Transfers-Out	357,925	357,925	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		1,323,649	965,724	-	38,038
Increase (Decrease) in Cash and Investments:		148,509	70,027	78,485	(1)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	4,162,355	2,709,664	1,452,691	-
Total Ending Cash and Investments		4,162,355	2,709,664	1,452,691	-

The accompanying notes are an integral part of this statement.

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		213 LTGO Bond 2013 Fund 656001020
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		-
Expenditures		
510	General Government	-
520	Public Safety	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		-
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	319,888
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		319,888
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	319,888
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		319,888
Increase (Decrease) in Cash and Investments:		(1)
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	-
Total Ending Cash and Investments		-

Jefferson Co Fire Protection District No. 1
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

Jefferson County Fire Protection District No. 1, dba East Jefferson Fire Rescue, is a special purpose government that provides fire protection services and emergency medical services to the general public and is supported primarily through property taxes. The District was incorporated in 1948 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

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. Budgets

Jefferson County Fire Protection District No. 1 adopts annual appropriated budgets for 2 funds (Fire and EMS). 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 Expenditures	Variance
Fire Dist 1 General	\$3,747,622	\$3,582,372	\$165,250
Fire Dist 1 EMS	\$3,130,832	\$3,585,067	\$-454,235
Totals	\$6,878,454	\$7,167,439	\$-288,985

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

The variance occurred by oversight in the EMS supplemental budget which did not include the expense and revenue received to pay for the purchase of two new ambulances. The ambulance purchase and bond funds to pay for them were vetted and approved by the Board of Commissioners. In my quest to balance the budget I inadvertently only made the EMS supplemental for an extra \$100,000.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Total **\$ 4,487,529.56**

Note 3 - Property Tax

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

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

Jefferson County Fire Protection District No. 1's regular levy for the year 2016 for collection in 2017 was \$1.33003 per \$1,000 on an assessed valuation of \$1,591,449,117 for a total regular levy of \$2,116,676. Jefferson County Fire Protection District No. 1's EMS levy for the year 2016 for collection in 2017 was \$0.49989 per \$1,000 on an assessed valuation of \$1,593,753,419 for a total EMS levy of \$796,702.

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2017.

The debt service requirements, including interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Other Debt</u>	<u>Total</u>
2017	\$ 220,000.00	\$ 135,525.00		\$ 355,525.00
2018	\$ 225,000.00	\$ 130,925.00	\$ 176,566.66	\$ 532,491.66
2019	\$ 230,000.00	\$ 125,975.00	\$ 173,083.33	\$ 529,058.33
2020	\$ 235,000.00	\$ 120,925.00	\$ 169,416.68	\$ 525,341.68
2021	\$ 240,000.00	\$ 115,775.00		\$ 355,775.00
2022 – 2026	\$1,305,000.00	\$ 476,062.50		\$1,781,062.50
2027 – 2031	\$1,515,000.00	\$ 220,400.00		\$1,735,400.00
2032	\$ 160,000.00	\$ 6,400.00		\$ 166,400.00
TOTALS	<u>\$ 4,130,000.00</u>	<u>\$ 1,331,987.50</u>	<u>\$ 519,066.67</u>	<u>\$ 5,981,054.17</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Jefferson County Fire Protection District No. 1'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.

Per the IAFF Local 2032 2010-2012 contract Jefferson County Fire Protection District No. 1 also participates in the Washington State Deferred Compensation Program. Contributions are up to \$.50 on the

dollar for every one dollar (\$1.00) the employee contributes up to 5% of the top step firefighter base salary in 2017.

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

At June 30, 2017 (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:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	6050.40	.001006%	\$47,735
PERS 2/3	7902.81	.001294%	\$44,960
LEOFF 2	151316.99	.095787%	(\$1,329,213)
VFFRPF	780.00	.36%	(\$135,212)

LEOFF Plan 2

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

Note 6 – Risk Management

The District purchases its property and liability insurance coverage from Emergency Services Insurance Program (ESIP). There are no deductibles unless noted.

Limits of Insurance

Building & Personal Property Blanket Limit (\$2,500 single occurrence deductible)	\$ 8,295,370
General Liability	\$10,000,000
Crime: Employee Theft – Blanket Limit	\$ 100,000
Crime: Credit Card Forgery (\$250 deductible)	\$ 10,000
Business Auto (\$2,000 deductible)	\$ 1,000,000

Portable Equipment (\$500 single occurrence deductible)	Guaranteed Replacement Cost
Umbrella Liability	\$16,000,000

Note 7 - Other Disclosures

Jefferson County Fire Protection District No. 1 is contracted with the City and has taken over the City of Port Townsend Fire Department effective Jan. 1, 2007. The agreement with the City is that they will pay the same rate as District residents. The City currently has a \$.50 EMS Levy and a \$.47694 Fire Levy. The remaining Fire dollars are paid by the City out of their General Fund. Official annexation has not yet occurred.

The District received 2 ambulances slated to arrive in 2016 in 2017. The funds were not used in 2016 and included in the budget for 2017 to pay for the ambulances. Two additional ambulances were ordered in 2017 and delivered in December of 2017. These additional ambulances were not included in the 2017 budget and a 3 year LTGO Bond, as reported in Note 4, was secured for payment. The Board of Commissioners approved the purchase of the vehicles and the means to secure payment. The additional funds and expenditure for the two additional ambulances were inadvertently left out of the supplemental budget and the negative variance is noted in Note 1.

The District has an Interlocal agreement with JeffCom to provide emergency dispatching, communications and other public safety services.

The District has an MOU with Jefferson Healthcare to provide inter-facility transports. The money received in 2017 was \$98,500.00 and \$13,921.60 in ferry reimbursements.

The District is a member of the EMS Special Agency Fund Interlocal Agreement with Fire Districts #1-5 in Jefferson County. The parties to this agreement participate in cooperative funding for contribution to the Emergency Medical Services (EMS) Special Agency Fund to provide financial compensation for the following contractor positions: Jefferson County Medical Program Director (MPD), Jefferson County Emergency Medical Services Training Coordinator, and the Eastern Jefferson County EMS & Trauma Care Council Secretary/Treasurer/Clerk.

Jefferson Co Fire Protection District No. 1
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

Jefferson County Fire Protection District No. 1, dba East Jefferson Fire Rescue, is a special purpose government that provides fire protection services and emergency medical services to the general public and is supported primarily through property taxes. The District was incorporated in 1948 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

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.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

Jefferson County Fire Protection District No. 1 adopts annual appropriated budgets for 2 funds (Fire and EMS). 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 follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Fire Dist 1 General	\$4,080,310	\$3,928,523	\$151,787
Fire Dist 1 EMS	\$2,843,944	\$2,638,719	\$205,225
Totals	\$6,924,254	\$6,567,242	\$357,012

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

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

IAFF Local 2032 Labor Agreement: Article 25 VACATION

Vacation leave compensation paid according to current Union contract and/or according to contract agreement for non-union members. Per current contract, upon termination or retirement, the employee shall be compensated for any unused vacation time at their regular rate of pay. For Union employees only, no more than one hour may carry-over from one year to the next. Any unused vacation, on the last pay period of the year, shall be dispersed in the following way: Vacation hours will be multiplied by the effected employee's regular hourly wage and 50% will be deposited into the said employee's HR VEBA account. The remaining 50% will be cashed out in the December 20 pay check. The District's estimated liability for vacation leave termination benefits on December 31, 2016 was \$30,211.74.

IAFF Local 2032 Labor Agreement: Article 18 SICK LEAVE

Sick leave compensation paid according to current Union contract and by contract agreement for non-union members. The maximum amount of sick leave that an employee may carry is 1,440 hours. Excess hours will be paid out to the employee's HR VEBA account at a rate of 50% of the affected employee's hourly rate. Upon retirement, layoff or other voluntary separation of employment, any accrued sick leave of 1,440 hours shall be reimbursed at 50% of the affected employee's hourly rate of pay. No payment shall be made if employee is terminated. The District's estimated liability for sick leave benefits on December 31, 2016, was \$334,976.37.

IAFF Local 2032 Labor Agreement: Article 14 OVERTIME AND CALLBACK

Any employee entitled to overtime pay under this Article may elect to receive compensatory time at the rate of time and one-half in lieu of monetary payment at the same rate. Compensatory time may be accrued up to a maximum of two-hundred-forty (240) hours. Compensatory time shall be allowed to be carried over from one year to the next. Upon termination or retirement, employees shall be compensated for all compensatory hours accrued at their regular hourly rate of pay. The District's estimated liability for compensatory time on December 31, 2016 was \$83,606.10.

Severance packages for Chief Officers are defined by personal contract and the District's estimated liability as of December 31, 2016, was \$132,381.65.

Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*

H. Other Financing Sources or Uses

The government's *Other Financing Sources* consist of insurance recovery, and sale of surplus. There were no *Other Financing uses*.

I. Risk Management

The District purchases its property and liability insurance coverage from Emergency Services Insurance Program (ESIP). There are no deductibles unless noted.

Limits of Insurance

Building & Personal Property Blanket Limit (\$2,500 single occurrence deductible)	\$ 8,295,370
General Liability	\$10,000,000
Crime: Employee Theft – Blanket Limit	\$ 100,000
Crime: Credit Card Forgery (\$250 deductible)	\$ 10,000
Business Auto (\$2,000 deductible)	\$ 1,000,000
Portable Equipment (\$500 single occurrence deductible)	Guaranteed Replacement Cost
Umbrella Liability	\$16,000,000

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Jefferson County Fire Protection District No. 1 Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments are driven by Policy 703 (District shall maintain 25% of estimated annual expenses as of Dec. 31) and consist of at least \$1,731,064.

Jefferson County Fire Protection District No. 1 received LTGO Bond funds in December 2010. The LTGO Bond was refinanced in April 2013. These funds are reserved for capital purchases and improvements pursuant to the bond agreement and authorization by the Board of Fire Commissioners. The balance of this reserved fund as of December 31, 2015, was \$0.

Note 2 - Property Tax

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

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

Jefferson County Fire Protection District No. 1's regular levy for the year 2015 for collection in 2016 was \$1.33003 per \$1,000 on an assessed valuation of \$1,511,054,153 for a total regular levy of \$2,009,745. Jefferson County Fire Protection District No. 1's EMS levy for the year 2015 for collection in 2016 was \$0.50 per \$1,000 on an assessed valuation of \$1,513,365,960 for a total EMS levy of \$756,683.

Note 3 – Deposits and Investments

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

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

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	
L.G.I.P.	\$ <u>4,162,355.00</u>
Total	\$ <u>4,162,355.00</u>

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2016.

The debt service requirements, including interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Other Debt</u>	<u>Total</u>
2016	\$ 220,000.00	\$ 137,925.00	\$95,917.84	\$ 453,842.84
2017	\$ 220,000.00	\$ 135,525.00		\$ 355,525.00
2018	\$ 225,000.00	\$ 130,925.00		\$ 355,925.00
2019	\$ 230,000.00	\$ 125,975.00		\$ 355,975.00
2020	\$ 235,000.00	\$ 120,925.00		\$ 355,925.00
2021 – 2024	\$1,000,000.00	\$ 425,812.50		\$1,425,812.50
2025 – 2029	\$1,440,000.00	\$ 336,500.00		\$1,776,500.00
2030 – 2032	\$ 780,000.00	\$ 56,325.00		\$ 836,325.00
TOTALS	<u>\$ 4,350,000.00</u>	<u>\$1,469,912.50</u>	<u>\$ 95,917.84</u>	<u>\$ 5,915,830.34</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all of Jefferson County Fire Protection District No. 1's full-time and qualifying part-time employees participate in the LEOFF II, PERS II or PERS III plans 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.

Per the IAFF Local 2032 2010-2012 contract Jefferson County Fire Protection District No. 1 also participates in the Washington State Deferred Compensation Program. Contributions are up to \$.50 on the dollar for every one dollar (\$1.00) the employee contributes up to 5% of the top step firefighter base salary in 2016.

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

At June 30, 2016 (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:

	Allocation %	Liability (Asset)
PERS 1	0.000983%	\$52,792
PERS 2/3	0.001258%	\$63,339
LEOFF 2	0.092919%	(\$540,445)
VFFRPF	0.280000%	(\$47,483)

LEOFF Plan 2

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

Note 6 - Other Disclosures

Jefferson County Fire Protection District No. 1 is contracted with the City and has taken over the City of Port Townsend Fire Department effective Jan. 1, 2007. The agreement with the City is that they will pay the same rate as District residents. The City currently has a \$.50 EMS Levy and a \$.50217 Fire Levy. The remaining Fire dollars are paid by the City out of their General Fund. Official annexation has not yet occurred.

The 2010 LTGO Bond was refinanced in April 2013 due to lower of interest rates. This realized the District approximately \$462,000 additional dollars. As reported for 2012 our Station 1-1, Chimacum was demolished and a new station built on that site.

Additional uses of the LTGO Bond include:

- Paying off LOCAL loan
- Purchase of the City of Port Townsend Fire Station
- Purchase of 2 new Fire Engines
- Purchase of 1 new ambulance
- Remounting of 2 Brush Trucks

The City of Port Townsend is reimbursing the District for the cost of the Capital Lease (Fire Engine) listed on Schedule 9 as compensation for their 2011 shortfall in parity with the District. The compensation will be over the 4 year lease period.

The District has an Interlocal agreement with JeffCom to provide emergency dispatching, communications and other public safety services.

The District has an MOU with Jefferson Healthcare to provide inter-facility transports. The money received in 2016 was \$42,500.00 and \$3,748.39 in ferry reimbursements.

The District is a member of the EMS Special Agency Fund Interlocal Agreement with Fire Districts #1-5 in Jefferson County. The parties to this agreement participate in cooperative funding for contribution to the Emergency Medical Services (EMS) Special Agency Fund to provide financial compensation for the

following contractor positions: Jefferson County Medical Program Director (MPD), Jefferson County Emergency Medical Services Training Coordinator, and the Eastern Jefferson County EMS & Trauma Care Council Secretary/Treasurer/Clerk.

**Jefferson County Fire Protection District No. 1
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond Non-Voted	12/1/2030	345,000	-	20,000	325,000
251.11	GO Bond Refinanced Non-Voted	12/1/2032	3,785,000	-	200,000	3,585,000
251.11	GO Bond Non-Voted	12/1/2020	-	500,000	-	500,000
Total General Obligation Debt/Liabilities:			4,130,000	500,000	220,000	4,410,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Leave		83,606	29,015	-	112,621
259.12	Severance Agreements		132,382	10,195	-	142,577
259.12	Sick Leave		334,976	21,784	-	356,760
259.12	Vacation Leave		30,212	38,634	-	68,846
264.30	Pension Liability - PERS 1		52,792	-	5,057	47,735
264.30	Pension Liability - PERS 2/3		63,339	-	18,379	44,960
Total Revenue and Other (non G.O.) Debt/Liabilities:			697,307	99,628	23,436	773,499
Total Liabilities:			4,827,307	599,628	243,436	5,183,499

**Jefferson County Fire Protection District No. 1
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond Non-Voted	12/1/2030	365,000	-	20,000	345,000
251.11	GO Bond Refinanced Non-Voted	12/1/2032	3,985,000	-	200,000	3,785,000
263.51	Capital Lease (Fire Engine)	6/16/2016	99,999	-	99,999	-
Total General Obligation Debt/Liabilities:			4,449,999	-	319,999	4,130,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Leave		109,478	-	25,872	83,606
259.12	Severance Agreements		134,120	-	1,738	132,382
259.12	Sick Leave		257,378	77,598	-	334,976
259.12	Vacation Leave		18,021	12,191	-	30,212
264.30	Pension Liability - PERS 1		56,651	-	3,859	52,792
264.30	Pension Liability - PERS 2/3		49,951	13,388	-	63,339
Total Revenue and Other (non G.O.) Debt/Liabilities:			625,599	103,177	31,469	697,307
Total Liabilities:			5,075,598	103,177	351,468	4,827,307

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov