

Jefferson Co Fire Protection District No. 1
Notes to the Financial Statements
For the Year Ended December 31, 2019

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. Cash and Investments

See Note 4, *Deposits and Investments*.

D. 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.

E. 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, 2019 was \$34,068.39.

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, 2019, was \$454,269.03.

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, 2019 was \$134,593.58.

Severance packages for Chief Officers are defined by personal contract and the District's estimated liability as of December 31, 2019, was \$319,710.62.

Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 3, *Debt Service Requirements*.

Note 2 – Budget Compliance

A. Budgets

Jefferson County Fire Protection District No. 1 adopts annual appropriated budgets for 2 funds (General 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	\$4,907,591	\$4,907,064	\$5
Fire Dist 1 EMS	\$3,719,813	\$3,715,621	\$42
Totals	\$8,627,404	\$8,622,685	\$47

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.

Note 3 – 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, 2019.

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

	Principal	Interest	Refi Closing*	Other Debt	Total
2019		\$ 77,126.88	\$ 34,546.77	\$ 173,083.33	\$ 284,756.98
2020	\$ 155,000.00	\$ 64,432.50		\$ 169,416.68	\$ 388,849.18
2021	\$ 290,000.00	\$ 62,805.00			\$ 352,805.00
2022	\$ 295,000.00	\$ 59,615.00			\$ 354,615.00
2023	\$ 300,000.00	\$ 56,222.50			\$ 356,222.50
2024 - 2028	\$1,540,000.00	\$ 223,642.50			\$1,763,642.50
2029 - 2032	\$1,115,000.00	\$ 65,650.00			\$1,180,650.00
TOTALS	\$3,695,000.00	\$ 609,494.38	\$ 34,546.77	\$ 342,500.01	\$4,681,541.16

*September 2019 refinanced bonds

Note 4 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2020 are as follows:

<u>Type of Investment</u>	
L.G.I.P.	\$ 4,934,985.64
Total	<u>\$ 4,934,985.64</u>

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

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

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

The district is a voluntary participant in the 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](#). The district reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

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

Note 5 – 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 2019.

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, 2019 (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	6,174.95	.000861%	\$33,109
PERS 2/3	9,082.88	.001112%	\$10,801
LEOFF 2	194,082.95	.105267%	(\$2,438,713)
VFFRPF	660.00	.33%	(\$225,993)

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 - 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 2018 for collection in 2019 was \$1.18061 per \$1,000 on an assessed valuation of \$1,866,159,489 for a total regular levy of \$2,203,213.41. Jefferson County Fire Protection District No. 1's EMS levy for the year 2018 for collection in 2019 was \$0.50 per \$1,000 on an assessed valuation of \$1,869,086,094 for a total EMS levy of \$934,543.05.

Note 7 – 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)	\$ 8,68,767
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 8 - 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 \$.46608 EMS Levy and a \$.43541 Fire Levy. The remaining Fire dollars are paid by the City out of their General Fund. Annexation of the City of Port Townsend into the Fire District was approved on the February 2019 ballot.

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 2019 was \$101,500.00 and \$10,980.20 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.

The 2010 and 2013 Bonds were consolidated and refinanced September 2019. (See Note 3)

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

stay home unless they are leaving for an essential function.

In response to the COVID-19 pandemic, the District has implemented a “mission essential” budget expenditure philosophy and practice. This is due in part to future economic uncertainty and the expenditure of thousands of “non-budgeted” dollars on personal protective equipment, disinfectant, aerosol cleaning of patient transport vehicles, thermometers, station facility modifications, and personnel training. In addition, personnel expenses have increased due to ill personnel and overtime costs directly related to the necessary precautionary measures tied directly to the Pandemic.

The District is starting to see the impacts and effects of the “Stay Home” order across Jefferson County, specifically the decline of property tax revenues and ambulance transport revenues year-to-date. It is too soon to know the full impact the “Stay at Home” order will have on the economy and subsequent property tax and ambulance transport revenues which the District relies heavily upon. Nationwide, the economic forecast is uncertain, but the fire service across the Country is bracing for anticipated budget cuts due to the pandemic's economic impacts. In a recent article published by the International Association of Fire Chief's, it predicts that fire departments across the country will face billions in lost tax revenues and will experience the largest budget cuts ever experienced in the history of the fire service.

The COVID-19 Pandemic future outlook includes a potential resurgence in the Fall/Winter of 2020 and potentially for years to come. The potential of this occurring is positioning the District to build its stockpile and reserve of personal protective equipment and other associated Pandemic supplies. This necessary level of preparedness will further negatively impact the District from a budgetary perspective.

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