



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, 2018 through December 31, 2020

Published April 7, 2022

Report No. 1030267



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

April 7, 2022

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,

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.

TABLE OF CONTENTS

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.....	4
Independent Auditor's Report on the Financial Statements	7
Financial Section.....	10
About the State Auditor's Office.....	41

INDEPENDENT AUDITOR'S REPORT

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

East Jefferson Fire Rescue January 1, 2018 through December 31, 2020

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, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 30, 2022.

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

As discussed in Note 3 to the 2020 financial statements and Note 8 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated March 30, 2022.

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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

March 30, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

East Jefferson Fire Rescue January 1, 2018 through December 31, 2020

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, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of East Jefferson Fire Rescue, and its changes in cash and investments, for the years ended December 31, 2020, 2019 and 2018, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of East Jefferson Fire Rescue, as of December 31, 2020, 2019 and 2018, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 3 to the 2020 financial statements and Note 8 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

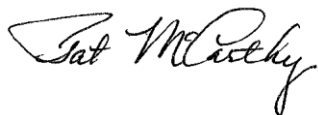
Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

March 30, 2022

FINANCIAL SECTION

East Jefferson Fire Rescue January 1, 2018 through December 31, 2020

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 Fire Fund #656001010	101 EMS Fund #657001100	217 LTGO BOND
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,934,985	2,644,803	2,290,182	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	6,176,949	4,333,123	1,843,826	-
320	Licenses and Permits	3,600	3,600	-	-
330	Intergovernmental Revenues	596,894	54,453	542,441	-
340	Charges for Goods and Services	1,458,978	78,547	1,380,431	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	174,811	113,955	60,856	-
Total Revenues:		8,411,232	4,583,678	3,827,554	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	7,959,661	4,209,370	3,750,291	-
Total Expenditures:		7,959,661	4,209,370	3,750,291	-
Excess (Deficiency) Revenues over Expenditures:		451,571	374,308	77,263	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	558,267	169,417	-	169,417
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	5,070	4,761	309	-
Total Other Increases in Fund Resources:		563,337	174,178	309	169,417
Other Decreases in Fund Resources					
594-595	Capital Expenditures	143,849	129,423	14,426	-
591-593, 599	Debt Service	388,850	-	-	169,417
597	Transfers-Out	558,266	388,849	169,417	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,090,965	518,272	183,843	169,417
Increase (Decrease) in Cash and Investments:		(76,057)	30,214	(106,271)	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	4,858,925	2,675,013	2,183,912	-
Total Ending Cash and Investments		4,858,925	2,675,013	2,183,912	-

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		219 LTGO BOND 2019 FUND
Beginning Cash and Investments		
308	Beginning Cash and Investments	-
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	-
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	219,433
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		219,433
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	219,433
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		219,433
Increase (Decrease) in Cash and Investments:		-
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
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, 2019

		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	4,786,582	3,208,739	1,577,843	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	3,130,799	2,198,973	931,826	-
320	Licenses and Permits	3,600	3,600	-	-
330	Intergovernmental Revenues	1,359,650	5,556	1,354,094	-
340	Charges for Goods and Services	3,813,418	1,761,481	2,051,937	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	205,160	105,068	65,545	4,381
Total Revenues:		8,512,627	4,074,678	4,403,402	4,381
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	7,835,293	4,326,876	3,508,417	-
Total Expenditures:		7,835,293	4,326,876	3,508,417	-
Excess (Deficiency) Revenues over Expenditures:		677,334	(252,198)	894,985	4,381
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	3,744,111	-	-	-
397	Transfers-In	4,108,293	173,083	-	312,994
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	79,927	55,367	24,560	-
Total Other Increases in Fund Resources:		7,932,331	228,450	24,560	312,994
Other Decreases in Fund Resources					
594-595	Capital Expenditures	289,555	255,431	34,124	-
591-593, 599	Debt Service	4,063,416	34,547	-	317,375
597	Transfers-Out	4,108,293	250,210	173,083	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		8,461,264	540,188	207,207	317,375
Increase (Decrease) in Cash and Investments:		148,401	(563,936)	712,338	-
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	4,934,985	2,644,803	2,290,182	-
Total Ending Cash and Investments		4,934,985	2,644,803	2,290,182	-

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		213 LTGO Bond 2013 Fund 656001020	217 LTGO BOND	219 LTGO BOND 2019 FUND
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	-	-	-
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	30,166	-	-
Total Revenues:		30,166	-	-
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
Total Expenditures:		-	-	-
Excess (Deficiency) Revenues over Expenditures:		30,166	-	-
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	3,744,111
397	Transfers-In	3,434,994	173,083	14,139
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		3,434,994	173,083	3,758,250
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	3,465,160	173,084	73,250
597	Transfers-Out	-	-	3,685,000
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		3,465,160	173,084	3,758,250
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, 2018

		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	4,487,530	2,886,532	1,600,997	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,998,676	2,141,466	857,210	-
320	Licenses and Permits	3,300	3,300	-	-
330	Intergovernmental Revenues	159,935	5,306	154,629	-
340	Charges for Goods and Services	3,822,551	1,761,171	2,061,381	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	155,552	92,494	63,058	-
Total Revenues:		7,140,016	4,003,737	3,136,278	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	6,332,758	3,449,291	2,883,467	-
Total Expenditures:		6,332,758	3,449,291	2,883,467	-
Excess (Deficiency) Revenues over Expenditures:		807,256	554,446	252,811	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	809,058	276,567	-	36,838
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	38,651	38,049	602	-
Total Other Increases in Fund Resources:		847,709	314,616	602	36,838
Other Decreases in Fund Resources					
594-595	Capital Expenditures	14,364	14,364	-	-
591-593, 599	Debt Service	532,492	-	-	36,838
597	Transfers-Out	809,058	532,492	276,567	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		1,355,914	546,855	276,567	36,838
Increase (Decrease) in Cash and Investments:		299,051	322,207	(23,154)	(1)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	4,786,582	3,208,739	1,577,843	-
Total Ending Cash and Investments		4,786,582	3,208,739	1,577,843	-

Jefferson County Fire Protection District No. 1
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		213 LTGO Bond 2013 Fund 656001020	217 LTGO BOND
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	-	-
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	-	-
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	319,088	176,567
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		319,088	176,567
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	319,088	176,567
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
Total Other Decreases in Fund Resources:		319,088	176,567
Increase (Decrease) in Cash and Investments:		(1)	(0)
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	-	-
Total Ending Cash and Investments		-	-

MCAG No 1119
Jefferson Co Fire Protection District No. 1
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

Jefferson County Fire Protection District No. 1, dba East Jefferson Fire Rescue 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 protection/suppression services and emergency medical 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 government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

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 HRA VEBA account. The remaining 50% will be cashed out in the last paycheck of the year. The District's estimated liability for vacation leave termination benefits on December 31, 2020 was \$37,634.89.

IAFF Local 2032 Labor Agreement: Article 18 SICK LEAVE

Sick leave compensation paid according to current Union contract and by contractual agreement for nonunion 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 HRA 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, 2020, was \$430,751.36.

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, 2020 was \$133,483.02.

Severance packages for Chief Officers are defined by personal contract and the District's estimated liability as of December 31, 2020, was \$283,109.02.

Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5 – *Long Term Debt*.

Note 2 - Budget Compliance

The District adopts annual appropriated budgets for two 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	\$5,232,465	\$4,767,646	\$464,819
Fire Dist. 1 EMS	\$4,002,067	\$3,934,133	\$ 67,934
Totals	\$9,234,532	\$8,701,779	\$532,753

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 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In response to the COVID-19 pandemic, the District implemented a “mission essential” budget expenditure philosophy and practice. This was 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 slightly increased due to ill personnel and overtime costs directly related to the necessary precautionary measures tied directly to the Pandemic.

The District saw the impacts and effects of the “Stay Home” order across Jefferson County, specifically, the decline of ambulance transport revenues year-to-date and to a small extent, property tax revenues. 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 District fared reasonably well through the 2020 portion of the pandemic with the quick response of "mission essential" expenditures and the unsolicited deposit from the Public Health and Social Services Emergency Fund ("Relief Fund") for the decline of ambulance transport revenues.

The COVID-19 Pandemic future outlook includes a potential resurgence in the first quarter 2021 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 continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

Note 4 – Deposits and Investments

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

Type of deposit or investment	<u>District's own</u> deposits and investments	Deposits and investments held by the County as custodian for other local governments, individuals, or private organizations
Bank deposits	\$	\$
Certificates of deposit		
Local Government Investment Pool	\$4,858,925.89	
U.S. Government securities		
Total	\$4,858,925.89	\$

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

Investments in the State Local Government Investment Pool (LGIP)

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

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

Investments in Jefferson County investment pool

The district is a voluntary participant in the Jefferson 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

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 – Long-Term Debt *(formerly Debt Service Requirements)*

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, 2020.

The debt service requirements for general obligation bonds are as follows:

Year	Principal	Interest	Total
2020	\$ 321,666.68	\$ 67,182.50	\$ 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	\$ 300,000.00	\$ 52,622.50	\$ 352,622.50
2025 - 2029	\$1,565,000.00	\$197,870.00	\$1,762,870.00
2030 - 2032	\$ 790,000.00	\$ 38,800.00	\$ 828,800.00
Total	\$3,861,666.68	\$535,117.50	\$4,396,784.18

Note 6 – 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 system plans, LEOFF II, PERS II or PERS III

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.

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, 2020 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	7,843.99	.001082%	\$38,200
PERS 2/3	13,005.00	.001412%	\$18,059
LEOFF 2	217,539.88	.111205%	(\$2,268,420)
VFFRPF	750.00	0.39%	(\$136,062)

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 7 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed 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 2019 for collection in 2020 was \$1.13434 per \$1,000 on an assessed valuation of 3,841,369,281 for a total regular levy of \$4,357,444. Jefferson County Fire Protection District No. 1's EMS levy for the year 2019 for collection in 2020 was \$0.48244 per \$1,000 on an assessed valuation of 3,844,563,043 for a total EMS levy of \$1,854,782.31.

Note 8 – 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)	\$ 8,997,205
General Liability (\$1,000,000 per Occurrence & \$10,000,000 Aggregate)	\$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 (\$8,000,000 per Occurrence & \$16,000,000 Aggregate)	\$16,000,000

Note 9 – Other Disclosures

The City of Port Townsend was annexed to the Fire District with the passing of Proposition 1 voted in by the people in February 2019.

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 2020 was \$98,750.00 and \$5,722.30 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 refinanced and consolidated into the 2019 bond in September 2019. (See Note 5)

April 10, 2020, Jefferson County Fire Protection District No. 1, dba East Jefferson Fire Rescue received COVID-19 non-grant assistance (US HHS Stimulus) directly deposited into their EMS account in the amount of \$56,844.74.

MCAG No 1119
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	\$527
Fire Dist 1 EMS	\$3,719,813	\$3,715,621	\$4,192
Totals	\$8,627,404	\$8,622,685	\$4,719

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, 2019 are as follows:

<u>Type of Investment</u>	
L.G.I.P.	<u>\$ 4,934,985.64</u>
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 Jefferson 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 system plans, LEOFF II, PERS II or PERS III 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.

MCAG No 1119
Jefferson Co Fire Protection District No. 1
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 3, *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, 2018 was \$24,801.75.

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, 2018, was \$371,366.88.

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, 2018 was \$109,235.81.

Severance packages for Chief Officers are defined by personal contract and the District's estimated liability as of December 31, 2018, was \$218,957.89.

Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, *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	\$4,220,967	\$4,149,741	\$71,226
Fire Dist 1 EMS	\$3,173,637	\$3,160,034	\$13,603
Totals	\$7,394,604	\$7,309,775	\$84,829

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 – 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 government's name.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

Type of Investment

L.G.I.P.	\$ 4,786,582.12
Total	<u>\$ 4,786,582.12</u>

Note 4 - 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 2017 for collection in 2018 was \$1.24989 per \$1,000 on an assessed valuation of \$1,720,221,519 for a total regular levy of \$2,150,100.72. Jefferson County Fire Protection District No. 1's EMS levy for the year 2017 for collection in 2018 was \$0.49999 per \$1,000 on an assessed valuation of \$1,722,615,625 for a total EMS levy of \$861,307.81.

Note 5 – 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, 2018.

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

	<u>Principal</u>	<u>Interest</u>	<u>Other Debt</u>	<u>Total</u>
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	\$ 245,000.00	\$ 109,775.00		\$ 354,775.00
2023 – 2027	\$1,345,000.00	\$ 435,162.50		\$1,780,162.50
2028 – 2032	\$1,390,000.00	\$ 157,925.00		\$1,547,925.00
TOTALS	<u>\$ 3,910,000.00</u>	<u>\$1,196,462.50</u>	<u>\$ 519,066.67</u>	<u>\$ 5,625,529.17</u>

Note 6 – 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 system plans, LEOFF II, PERS II or PERS III 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 2018.

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, 2018 (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	6308.41	.000944%	\$42,159
PERS 2/3	9347.12	.001211%	\$20,677
LEOFF 2	178106.84	.102709%	(\$2,085,217)
VFFRPF	540.00	.26%	(\$139,267)

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 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)	\$ 8,295,370
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 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 \$.49492 EMS Levy and a \$.46243 Fire Levy. The remaining Fire dollars are paid by the City out of their General Fund. Annexation is 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 2018 was \$86,250.00 and \$ 6,526.00 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, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond Non-Voted	12/1/2020	166,666	-	166,666	-
251.11	GO Bond Non-Voted	12/1/2032	3,695,000	-	155,000	3,540,000
Total General Obligation Debt/Liabilities:			3,861,666	-	321,666	3,540,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Leave		134,594	-	1,111	133,483
259.12	Severance Agreements		319,711	-	36,602	283,109
259.12	Sick Leave		454,269	-	23,518	430,751
259.12	Vacation Leave		34,069	3,566	-	37,635
264.30	Pension Liability - PERS 1		33,109	5,091	-	38,200
264.30	Pension Liability - PERS 2/3		10,801	7,258	-	18,059
Total Revenue and Other (non G.O.) Debt/Liabilities:			986,553	15,915	61,231	941,237
Total Liabilities:			4,848,219	15,915	382,897	4,481,237

Jefferson County Fire Protection District No. 1
Schedule of Liabilities
For the Year Ended December 31, 2019

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond Non-Voted	9/12/2019	305,000	-	305,000	-
251.11	GO Bond Refinanced Non-Voted	9/12/2019	3,380,000	-	3,380,000	-
251.11	GO Bond Non-Voted	12/1/2020	333,333	-	166,667	166,666
251.11	GO Bond Non-Voted	12/1/2032	-	3,695,000	-	3,695,000
Total General Obligation Debt/Liabilities:			4,018,333	3,695,000	3,851,667	3,861,666
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Leave		109,236	25,358	-	134,594
259.12	Severance Agreements		218,958	100,753	-	319,711
259.12	Sick Leave		371,367	82,902	-	454,269
259.12	Vacation Leave		24,802	9,267	-	34,069
264.30	Pension Liability - PERS 1		42,159	-	9,050	33,109
264.30	Pension Liability - PERS 2/3		20,677	-	9,876	10,801
Total Revenue and Other (non G.O.) Debt/Liabilities:			787,199	218,280	18,926	986,553
Total Liabilities:			4,805,532	3,913,280	3,870,593	4,848,219

Jefferson County Fire Protection District No. 1
Schedule of Liabilities
For the Year Ended December 31, 2018

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Bond Non-Voted	12/1/2030	325,000	-	20,000	305,000
251.11	GO Bond Refinanced Non-Voted	12/1/2032	3,585,000	-	205,000	3,380,000
251.11	GO Bond Non-Voted	12/1/2020	500,000	-	166,667	333,333
Total General Obligation Debt/Liabilities:			4,410,000	-	391,667	4,018,333
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Leave		112,621	-	3,385	109,236
259.12	Severance Agreements		142,577	76,381	-	218,958
259.12	Sick Leave		356,760	14,606	-	371,367
259.12	Vacation Leave		68,846	-	44,044	24,802
264.30	Pension Liability - PERS 1		47,735	-	5,576	42,159
264.30	Pension Liability - PERS 2/3		44,960	-	24,283	20,677
Total Revenue and Other (non G.O.) Debt/Liabilities:			773,499	90,987	77,288	787,198
Total Liabilities:			5,183,499	90,987	468,955	4,805,532

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov