



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
SE Thurston Fire Authority

For the period January 1, 2017 through December 31, 2018

Published December 23, 2019

Report No. 1025409





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

December 23, 2019

Board of Commissioners
SE Thurston Fire Authority
Yelm, Washington

Report on Financial Statements

Please find attached our report on SE Thurston Fire Authority's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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S.E. THURSTON FIRE AUTHORITY

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SE Thurston Fire Authority January 1, 2017 through December 31, 2018

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2012 – December 31, 2016	Report Ref. No.: 1023029	Finding Ref. No.: 2016-001
Finding Caption: The Authority's internal controls over financial statement preparation were inadequate to ensure accurate, complete, and timely reporting.		
Background: Authority management is responsible for designing, implementing and maintaining internal controls to fairly present financial statements and provide reasonable assurance regarding the reliability of those statements. Our audit identified the following deficiencies in internal controls over accounting and financial reporting: <ol style="list-style-type: none">(1) The Authority did not have an adequate system for tracking all accounting transactions. Specifically, its accounting software does not record revenues or fund balance.(2) The Authority did not have an effective review process to detect and correct errors to ensure financial statement balances and presentation were accurate.(3) The Authority did not file its 2012-2016 annual reports with our office within 150 days of fiscal year-end as required by law. Together, we considered these deficiencies in internal controls to represent a material weakness.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>S.E. Thurston Fire Authority has implemented a new accounting software (BIAS) that will record revenues and fund balances. This software will also assist in preparing annual reports.</i>		

**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**

**SE Thurston Fire Authority
January 1, 2017 through December 31, 2018**

Board of Commissioners
SE Thurston Fire Authority
Yelm, 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 SE Thurston Fire Authority, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated December 20, 2019.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of the Authority'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 Authority'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 Authority'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 initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

December 20, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

SE Thurston Fire Authority January 1, 2017 through December 31, 2018

Board of Commissioners
SE Thurston Fire Authority
Yelm, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of SE Thurston Fire Authority, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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, SE Thurston Fire Authority has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of SE Thurston Fire Authority, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, 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 Authority 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 SE Thurston Fire Authority, as of December 31, 2018 and 2017, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

December 20, 2019

FINANCIAL SECTION

SE Thurston Fire Authority January 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018

Fund Resources and Uses Arising from Cash Transactions – 2017

Notes to Financial Statements – 2018

Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

Schedule of Liabilities – 2017

SE Thurston Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	257,006
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	3,411,385
320	Licenses and Permits	-
330	Intergovernmental Revenues	541,971
340	Charges for Goods and Services	392,275
350	Fines and Penalties	-
360	Miscellaneous Revenues	93,066
Total Revenues:		4,438,697

Expenditures

510	General Government	-
520	Public Safety	4,336,640
Total Expenditures:		4,336,640
Excess (Deficiency) Revenues over Expenditures:		102,057

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	6,148
Total Other Increases in Fund Resources:		6,148

Other Decreases in Fund Resources

594-595	Capital Expenditures	-
591-593, 599	Debt Service	123,061
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		123,061

Increase (Decrease) in Cash and Investments: **(14,856)**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	242,148
Total Ending Cash and Investments		242,148

The accompanying notes are an integral part of this statement.

**SE Thurston Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017**

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	83,715
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	3,241,716
320	Licenses and Permits	-
330	Intergovernmental Revenues	580,070
340	Charges for Goods and Services	312,377
350	Fines and Penalties	-
360	Miscellaneous Revenues	98,967
Total Revenues:		4,233,130

Expenditures

510	General Government	-
520	Public Safety	3,886,802
Total Expenditures:		3,886,802
Excess (Deficiency) Revenues over Expenditures:		346,328

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	14,921
Total Other Increases in Fund Resources:		14,921

Other Decreases in Fund Resources

594-595	Capital Expenditures	64,870
591-593, 599	Debt Service	123,061
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		187,931

Increase (Decrease) in Cash and Investments: 173,318

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	257,005
Total Ending Cash and Investments		257,005

The accompanying notes are an integral part of this statement.

S.E. THURSTON FIRE AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

S.E. Thurston Fire Authority was formed in 2010 and operates under the laws of the state of Washington applicable to a Fire Authority. S.E. THURSTON FIRE AUTHORITY is a Special purpose local government and provides Fire Suppression & Emergency Medical Services.

S.E. Thurston Fire Authority 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 for S.E. Thurston Fire Authority are tracked internally in several funds, but all funds are rolled up for reporting purposes. 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.

Capital Projects Fund

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

Reserve Fund

This fund is maintained for unforeseen expenditures and shortfalls in property tax collections.

Vehicle Replacement Fund

This fund is maintained for the future vehicle needs of the fire authority.

Donation Fund

This fund is for donations made to the fire authority for specific uses (not for general operating expenses).

SAFER Volunteer Grant Fund

This fund is maintained to track revenue and expenditures directly under this grant.

Impact Fees Fund

This fund was created for Impact Fee collection.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

The Fire Authority adopts an annual operating budget for the general expense fund.

The annual budget is 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
General Fund:			
Administration	\$594,455	\$661,672	(\$67,217)
Fire Suppression	\$3,127,427	\$3,514,286	(\$386,859)
Facilities	\$82,389	\$72,439	\$9,950
Vehicle	\$98,396	\$88,243	\$10,153
Debt Repayment	\$118,466	\$123,061	(\$4,595)
Total General Fund	\$4,021,133	\$4,459,701	(\$438,568)

While it appears S.E. THURSTON FIRE AUTHORITY has significantly overspent, the following revenues were not included in original budget:

DNR Mobilization Reimbursements BARS 3360231 \$207,099

SAFER Retention & Volunteer Grants BARS 3319700 \$132,600

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 S.E. THURSTON FIRE AUTHORITY'S legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$200,000 and an estimated useful life in excess of at least 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 320 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1296. Upon separation or retirement employees do receive payment for unused sick leave at 50%. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

Note 2 – Deposits and Investments

It is the County/Authority's policy to invest all temporary cash surpluses.

In accordance with State law, the district's governing body has entered into a formal agreement with the district's ex officio treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP).

All deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commissioner. The District's investments are held by the Thurston County Treasurer in the Thurston County Investment Pool (TCIP) as its agent in the Districts name.

As of December 31, 2018, the district had the following Investments - \$238,955.

Investment Type
Thurston County Investment Pool

Fair Value Multiplier (1)
.990905

Effective Duration
1.59 years

Note 3 - Property Tax

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

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

S.E. Thurston Fire Authority’s regular levy for the year 2018 was \$1.50 per \$1,000 on an assessed valuation of \$2,289,765,132 for a total regular levy of \$3,434,647.70

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Fire Authority and summarizes the Fire Authority’s debt transactions for year ended December 31, 2018.

The debt service requirements for Leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$105,416.00	\$17,644.58	\$123,060.58
2020	\$108,866.79	\$14,193.79	\$123,060.58
2021	\$112,430.54	\$10,630.04	\$123,060.58
2022	\$68,144.96	\$6,949.62	\$75,094.58
2023	\$70,386.93	\$4,707.65	\$75,094.58
2024	\$72,702.67	\$2,391.91	\$75,094.58
TOTALS	<u>\$537,947.89</u>	<u>\$56,517.59</u>	<u>\$594,465.48</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all of S.E. THURSTON FIRE AUTHORITY’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.

*Public Employee’s Retirement Systems (PERS 1, PERS 2 and PERS 3) and

*Law Enforcement Officers’ and Fire Fighters Retirement System (LEOFF 2)

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.

S.E. THURSTON FIRE AUTHORITY 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 S.E. Thurston Fire Authority proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$8,854	0.001325	\$59,175
PERS 2/3	\$13,059	0.001692	\$28,889
LEOFF 2	\$122,375.57	0.070570	(\$1,432,725)
VFFRPF	\$300.00	0.15	(\$77,370.42)

S.E. Thurston Fire Authority 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 – Defined Contributions

S.E. Thurston Fire Authority participates in MERP (Medical Expense Reimbursement Plan) for all current firefighters. This defined benefit plan is administered by WSCFF (Washington State Council of Firefighters). The department contributes \$75.00 per month per firefighter.

Note 7 – Risk Management

S.E. Thurston Fire Authority participates as a member of a joint insurance pool.

VFIS / American Alternative Insurance Corp – www.americanalternativeinsurancecorporation.com

S.E. THURSTON FIRE AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

S.E. Thurston Fire Authority was formed in 2010 and operates under the laws of the state of Washington applicable to a Fire Authority. S.E. THURSTON FIRE AUTHORITY is a Special purpose local government and provides Fire Suppression & Emergency Medical Services.

S.E. Thurston Fire Authority 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 for S.E. Thurston Fire Authority are tracked internally in several funds, but all funds are rolled up for reporting purposes. 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.

Capital Projects Fund

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

Reserve Fund

This fund is maintained for unforeseen expenditures and shortfalls in property tax collections.

Vehicle Replacement Fund

This fund is maintained for the future vehicle needs of the fire authority.

Donation Fund

This fund is for donations made to the fire authority for specific uses (not for general operating expenses).

SAFER Volunteer Grant Fund

This fund is maintained to track revenue and expenditures directly under this grant.

Impact Fees Fund

This fund was created for future Impact Fee collection.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

The Fire Authority adopts an annual operating budget for the general expense fund.

The annual budget is 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
General Fund:			
Administration	\$737,148.00	\$704,854.00	\$32,294.00
Fire Suppression	\$2,676,058	\$2,963,423.00	\$(209,969.00)
Facilities	\$128,689.00	\$88,490.00	\$40,199.00
Vehicle	\$167,267	\$130,035.00	\$(40,164.00)
Debt Repayment	\$121,466.00	\$187,931.00	\$(66,465.00)
Total General Fund	\$3,830,628.00	\$4,074,733	\$(244,105.00)

While it appears S.E. THURSTON FIRE AUTHORITY has significantly overspent, the following revenues were not included in original budget:

DNR Mobilization Reimbursements	BARS 3360231	\$184,690
SAFER Retention & Volunteer Grants	BARS 3319700	\$44,140 more than anticipated

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 S.E. THURSTON FIRE AUTHORITY'S legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$200,000 and an estimated useful life in excess of at least 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 320 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1296. Upon separation or retirement employees do receive payment for unused sick leave at 50%. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

Note 2 – Deposits and Investments

It is the County/Authority's policy to invest all temporary cash surpluses.

In accordance with State law, the district's governing body has entered into a formal agreement with the district's ex officio treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP).

All deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commissioner. The District's investments are held by the Thurston County Treasurer in the Thurston County Investment Pool (TCIP) as its agent in the Districts name.

As of December 31, 2017, the district had the following Investments - \$254,131.

Investment Type
Thurston County Investment Pool

Fair Value Multiplier (1)
.992678

Effective Duration
1.47 years

Note 3 - Property Tax

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

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

S.E. Thurston Fire Authority’s regular levy for the year 2017 was \$1.50 per \$1,000 on an assessed valuation of \$2,162,034,828.00 for a total regular levy of \$3,243,052.24.

Note 4 – Debt Service Requirements

Debt Service

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

The debt service requirements for Leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$102,074.60	\$20,985.98	\$123,060.58
2019	\$105,416.00	\$17,644.58	\$123,060.58
2020	\$108,866.79	\$14,193.79	\$123,060.58
2021	\$112,430.54	\$10,630.04	\$123,060.58
2022	\$68,144.96	\$6,949.62	\$75,094.58
2023 – 2024	\$143,089.60	\$7,099.56	\$150,189.16
TOTALS	<u>\$640,022.49</u>	<u>\$77,503.57</u>	<u>\$717,526.06</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all of S.E. THURSTON FIRE AUTHORITY’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.

*Public Employee’s Retirement Systems (PERS 1, PERS 2 and PERS 3) and

*Law Enforcement Officers’ and Fire Fighters Retirement System (LEOFF 2)

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.

S.E. THURSTON FIRE AUTHORITY also participates in the Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2017 (the measurement date of the plans), the S.E. Thurston Fire Authority proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$7,832.00	0.00130200	\$61,781
PERS 2/3	\$10,229.00	0.001675	\$58,198
	0	0	0
LEOFF 2	\$100,119.00	0.063377	(\$879,467)
VFFRPF	\$300.00	0.14	(\$52,004.49)

S.E. Thurston Fire Authority 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 – Defined Contributions

S.E. Thurston Fire Authority participates in MERP (Medical Expense Reimbursement Plan) for all current firefighters. This defined benefit plan is administered by WSCFF (Washington State Council of Firefighters). The department contributes \$75.00 per month per firefighter.

Note 7 – Risk Management

S.E. Thurston Fire Authority participates as a member of a joint insurance pool.

VFIS / American Alternative Insurance Corp – www.americanalternativeinsurancecorporation.com

**SE Thurston Fire Authority
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						
263.51	10 yr lease 2015 Pierce Velocity Pumper	8/19/2024	462,789	-	59,869	402,920
263.51	5 yr lease 2014 Horton Aid Unit	1/11/2022	177,233	-	42,206	135,027
Total General Obligation Debt/Liabilities:			640,022	-	102,075	537,947
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liability		119,979	-	31,915	88,064
259.12	Compensated Absences		488,937	52,294	-	541,231
Total Revenue and Other (non G.O.) Debt/Liabilities:			608,916	52,294	31,915	629,295
Total Liabilities:			1,248,938	52,294	133,990	1,167,242

**SE Thurston Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	10 yr lease 2015 Pierce Velocity Pumper	8/19/2024	520,751	-	57,962	462,789
263.51	5 yr lease 2014 Horton Aid Unit	1/11/7792	-	222,131	44,898	177,233
Total General Obligation Debt/Liabilities:			520,751	222,131	102,860	640,022
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liability		132,961	-	12,982	119,979
259.12	Compensated Absences		430,295	58,642	-	488,937
264.30	Pension Liability - VFFRFP		15,813	-	15,813	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			579,069	58,642	28,795	608,916
Total Liabilities:			1,099,820	280,773	131,655	1,248,938

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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