



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
**Jefferson County Fire
Protection District No. 3**
(Port Ludlow Fire & Rescue)

For the period January 1, 2020 through December 31, 2022

Published November 20, 2023

Report No. 1033624



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

November 20, 2023

Board of Commissioners
Port Ludlow Fire & Rescue
Port Ludlow, Washington

Report on Financial Statements

Please find attached our report on Port Ludlow Fire & Rescue's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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*

Port Ludlow Fire & Rescue January 1, 2020 through December 31, 2022

Board of Commissioners
Port Ludlow Fire & Rescue
Port Ludlow, 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 Port Ludlow Fire & Rescue, as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 13, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

November 13, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port Ludlow Fire & Rescue January 1, 2020 through December 31, 2022

Board of Commissioners
Port Ludlow Fire & Rescue
Port Ludlow, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Port Ludlow Fire & Rescue, as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Port Ludlow Fire & Rescue, and its changes in cash and investments, for the years ended December 31, 2022, 2021 and 2020, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Port Ludlow Fire & Rescue, as of December 31, 2022, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Matters of Emphasis

As discussed in Note 6 to the 2022 financial statements, the District transferred its assets and liabilities to Jefferson County Fire Protection District No. 1 and dissolved effective December 31, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 on our consideration of the District's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

November 13, 2023

FINANCIAL SECTION

Port Ludlow Fire & Rescue January 1, 2020 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
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Schedule of Liabilities – 2020

Jefferson County Fire Protection District No. 3
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>101 EMS Fund</u>	<u>300 Capital Project Fund</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,395,400	1,805,489	1,161,741	428,170
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,499,294	1,839,834	659,460	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	184,225	8,862	175,363	-
340	Charges for Goods and Services	338,742	38,579	300,163	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	38,487	18,521	13,375	6,591
Total Revenues:		<u>3,060,748</u>	<u>1,905,796</u>	<u>1,148,361</u>	<u>6,591</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	3,237,221	2,195,941	1,040,976	304
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>3,237,221</u>	<u>2,195,941</u>	<u>1,040,976</u>	<u>304</u>
Excess (Deficiency) Revenues over Expenditures:		(176,473)	(290,145)	107,385	6,287
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	200,000	-	-	200,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	27,483	-	-	27,483
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	200,000	-	200,000	-
585	Special or Extraordinary Items	3,201,235	1,525,137	1,069,124	606,974
581, 582, 589	Other Uses	(9,796)	(9,796)	-	-
Total Other Decreases in Fund Resources:		<u>3,418,922</u>	<u>1,515,341</u>	<u>1,269,124</u>	<u>634,457</u>
Increase (Decrease) in Cash and Investments:		<u>(3,395,395)</u>	<u>(1,805,486)</u>	<u>(1,161,739)</u>	<u>(428,170)</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>101 EMS Fund</u>	<u>300 Capital Project Fund</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,335,486	1,984,699	1,113,438	237,349
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,434,185	1,792,570	641,615	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	141,507	6,034	135,473	-
340	Charges for Goods and Services	341,713	79,055	262,658	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	56,671	55,667	939	65
Total Revenues:		<u>2,974,076</u>	<u>1,933,326</u>	<u>1,040,685</u>	<u>65</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,828,778	2,136,395	692,383	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>2,828,778</u>	<u>2,136,395</u>	<u>692,383</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		145,298	(203,069)	348,302	65
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	300,000	-	-	300,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	20,141	20,141	-	-
Total Other Increases in Fund Resources:		<u>320,141</u>	<u>20,141</u>	<u>-</u>	<u>300,000</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	109,245	-	-	109,245
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	300,000	-	300,000	-
585	Special or Extraordinary Items	50	50	-	-
581, 582, 589	Other Uses	(3,765)	(3,765)	-	-
Total Other Decreases in Fund Resources:		<u>405,530</u>	<u>(3,715)</u>	<u>300,000</u>	<u>109,245</u>
Increase (Decrease) in Cash and Investments:		<u>59,909</u>	<u>(179,213)</u>	<u>48,302</u>	<u>190,820</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,589,911	-	1,161,741	428,170
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	1,805,489	1,805,489	-	-
Total Ending Cash and Investments		<u>3,395,400</u>	<u>1,805,489</u>	<u>1,161,741</u>	<u>428,170</u>

The accompanying notes are an integral part of this statement.

Jefferson County Fire Protection District No. 3
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>101 EMS Fund</u>	<u>300 Capital Project Fund</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,877,284	2,119,610	655,941	101,733
388 / 588	Net Adjustments	782	782	-	-
Revenues					
310	Taxes	2,408,299	1,784,450	623,849	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	161,588	6,730	154,858	-
340	Charges for Goods and Services	337,567	93,008	244,559	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	10,886	7,009	3,261	616
Total Revenues:		<u>2,918,340</u>	<u>1,891,197</u>	<u>1,026,527</u>	<u>616</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,464,873	1,895,489	569,384	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>2,464,873</u>	<u>1,895,489</u>	<u>569,384</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		453,467	(4,292)	457,143	616
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	135,000	-	-	135,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,376	1,020	356	-
Total Other Increases in Fund Resources:		<u>136,376</u>	<u>1,020</u>	<u>356</u>	<u>135,000</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	135,000	135,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	(2,576)	(2,576)	-	-
Total Other Decreases in Fund Resources:		<u>132,424</u>	<u>132,424</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>457,419</u>	<u>(135,696)</u>	<u>457,499</u>	<u>135,616</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,350,787	-	1,113,438	237,349
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	1,984,699	1,984,699	-	-
Total Ending Cash and Investments		<u>3,335,486</u>	<u>1,984,699</u>	<u>1,113,438</u>	<u>237,349</u>

The accompanying notes are an integral part of this statement.

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

Jefferson County Fire Protection District No. 3 (JCFD#1) was incorporated in 1965 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 and EMS services.

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 (see *Notes to 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 different from the ending net position classifications 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 Fund

This fund accounts for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2022

Capital Projects Fund

This fund accounts 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 \$5,000.00 and an estimated useful life in excess of 1 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

No more than ninety-six (96) hours of vacation time accrued in one year may carry-over from one year to the next with the exception of the first year of employment, and is payable upon separation or retirement.

Sick leave may be accumulated up to a maximum of one thousand four hundred and fifty-six (1456) hours for twenty-four (24) hour shift employees, one thousand ninety-two (1092) hours for twelve-hour shift employees, and one thousand forty (1040) hours for eight (8) hours shift employees. Upon separation or retirement employees receive payment for unused sick leave in excess of seven hundred twenty-eight (728) hours at twenty five percent (25%) of their regular rate of pay. Compensatory time may be carried over from year to year, but hours exceeding ninety-six (96) will be automatically cashed out at the earliest payroll cycle. Upon separation or retirement, employees shall be paid at their current rate of pay for all unused compensatory time. Payments are recognized as expenditures when paid.

The District transferred compensated absence liabilities of \$23,762.04 to Jefferson County Fire Protection District No. 1 as of December 31, 2022 (see note 6).

Note 2 - Budget Compliance

The district adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2022

Fund/Department	Appropriated Amounts	Actual Expenses	Variance
Total 001 - General Fund	2263580	3711285.68	-1447705.68
101 - EMS Fund	1331940	2309713.71	-978160.82
300 - Capital Project Fund	30000	634457.25	-604760.76

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.

On November 8, 2022, the citizens of Port Ludlow passed a proposition to merge into Jefferson County Fire Protection District No. 1 effective January 1, 2023. This required Jefferson County Fire District No. 3 to transfer out all remaining funds on December 31, 2022. These transfers were not budgeted.

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.

The District and Local 3811 agreed on a Memorandum of Understanding to create and fund a COVID-19 Pandemic Sick Leave Bank. This bank can only be used for COVID related illnesses. Personnel will be given up to 96 hours of sick leave in a separate bank, it cannot be used in lieu of standard sick leave and has no cash or service credit value. The 96 hours are replenished upon use up to 96 hours.

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 fair value. Deposits and investments by type at December 31, 2022 are as follows: **\$0.00** - all funds were transferred from investment to cash and then transferred to Jefferson County Fire District No. 1 on 12/31/22.

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2022

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.

Note 5 – Leases

The District has a NASPO Lease with Canon for our copy machine. The District transferred the outstanding lease liability to Jefferson County Fire Protection District No. 1 as of December 31, 2022 (see note 6).

Year	Lease Payments
2023	2,784
2024	696
2025	
2026	
2027	
2028-2032	
2033-2037	
2038-2042	
2043-2047	
2048-2052	
2053-2057	
2058-2062	
<i>Total</i>	3,480

Note 6 – Other Disclosures

Jefferson County Fire Protection District No. 1 Merged with Jefferson County Fire Protection District No. 1 Effective January 1, 2023

The citizens of Port Ludlow voted to merge with Jefferson County Fire Protection District No. 1 in the General Election on November 8, 2022. We received direction from the Washington State Auditor to have a zero balance in all funds at the end of the year. Any funds remaining would trigger the need to file an annual report for 2023. Confirmed that any outstanding checks that have not been cashed would not trigger the need to file for 2023.

Jefferson County Fire Protection District No. 3

Notes to the Financial Statements

For the year ended December 31, 2022

The District's outstanding liabilities were transferred to Jefferson County Fire Protection District No. 1 as of December 31, 2022.

EMS Special Agency Fund Interlocal Agreement

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.

3-2 ALS Agreement

The district has an Interlocal agreement to provide ALS services to Jefferson County Fire Protection District No. 2.

During the term of this agreement, PLFR shall furnish ALS services including ambulance transport to all persons within the geographical boundaries of the Recipient District. Such ALS services shall be rendered on the same basis as such services are rendered to persons within PLFR but PLFR assumes no liability for failure to provide such services by reason of circumstances beyond its control. In the event of simultaneous emergency medical calls whether within or outside the Recipient District whereby the facilities and personnel of PLFR are taxed beyond its ability to render ALS services, the officers and agents of PLFR shall have discretion as to which call shall be answered first and shall be the sole judge as to the most expeditious manner of handling and responding to such calls. PLFR will be compensated \$30,000.00 annually in quarterly payments of \$7,500.00.

The terms of this agreement will be carried over until such time that it may be reviewed and renegotiated by the newly formed JCFD#1 Board and Fire Chief.

JeffCom

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

Marine 31 ILA with North Kitsap Fire & Rescue

In June of 2016 the District entered into an Interlocal Agreement with North Kitsap Fire & Rescue (NKFR) to establish Marine 31.

NKFR received a grant for a new boat and needed to maintain coverage of the west end of their District. Both Districts agreed to keep the older boat moored at the Port Ludlow Marina and Port Ludlow Fire & Rescue would insure, maintain, and respond in the boat to marine calls in our District as well as to those calls in NKFR's District. NKFR would maintain ownership of the boat until such time that the parties decide to amend or cancel the Interlocal Agreement.

Firefighter/Paramedic Backfill ILA with North Kitsap Fire & Rescue

Jefferson County Fire Protection District No. 3

Notes to the Financial Statements

For the year ended December 31, 2022

The District entered into an agreement with North Kitsap Fire & Rescue (NKFR) for back-fill coverage of overtime. Once the District exhausts its efforts to obtain overtime coverage through its off-duty personnel as well as its approved per-diem list, a request for backfill is made. If the agency requested has someone available and willing to work the overtime shift, they let us know and are put on the schedule. They then bill the District for the full cost of that employee.

Firefighter/Paramedic Backfill ILA with East Jefferson Fire & Rescue

The District entered into an agreement with East Jefferson Fire Rescue (EJFR) for back-fill coverage of overtime. Once the District exhausts its efforts to obtain overtime coverage through its off-duty personnel as well as its approved per-diem list, a request for backfill is made. If the requested agency has someone available and willing to work the overtime shift, they let us know and are put on the schedule. They then bill the District for the full cost of that employee. This ILA will be nullified upon the merging of the Districts.

Fire Management Services ILA

On September 1, 2021 the District entered into a Fire Management Services ILA with East Jefferson Fire & Rescue (EJFR). The ILA provides the shared services of the Fire Chief, two (2) Assistant Chiefs and three (3) Battalion Chiefs. The ILA was administered in a tiered step process to allow for the EJFR members to become better acquainted with the workings of the District. Tier 1 compensation was \$14,500 per month, Tier 2 was \$19,000 per month. These were subject to a COLA based on 100% Seattle Tacoma Bellevue CPI from June-June of the previous year with a minimum 1.5% and a maximum 4%. This ILA will be nullified upon the merging of the Districts.

Contract Negotiations

In January 2022, a Memorandum of Understanding was signed between the District and Local 3811 extending the current contract until 2023 and included both retroactive wage increases, staffing language and a slight increase in the District match of the Deferred Comp 457 Plan.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (LEOFF 2, PERS 2 and PERS 3).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

Jefferson County Fire Protection District No. 3

Notes to the Financial Statements

For the year ended December 31, 2022

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, 2022 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, which were transferred to Jefferson County Fire Protection District No. 1 as of December 31, 2022 (see note 6), was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	3392.83	0.00055400%	2,784,367,000	15,425	
PERS 2/3	5778.63	0.00071900%	(3,708,781,000)		(26,666)
PSERS 2/3			(71,500,000)		-
LEOFF 2	71999.06	0.03477700%	(2,717,698,000)		(945,134)
VFFRPF	330	0.170000%			(49,054)
		<i>Totals</i>		\$ 15,425	\$ (1,020,854)

LEOFF Plan 1

The district also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

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

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2022

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 8 - 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.

The district's regular levy for the year 2022 was \$1.24 per \$1,000 on an assessed valuation of \$1,477,820,412.00 for a total regular levy of \$1,835,206.00.

The district's EMS levy for the year 2022 was \$.44 per \$1,000 on an assessed valuation of \$1,482,040,925.00 for a total EMS levy of \$657,746.09.

Levy Type	Per \$1000	Assessed Valuation	Amount
General Levy	1.24	1,477,820,412	1,835,206
EMS Levy	0.44	1,482,040,925	657,746

Note 9 – Risk Management

Type of Risk	Self -insured (Y/N)	Not Applicable	Or Name of Insurer
Property & Liability	N		McNeil
Health & Welfare	N		Truteed Plans
Unemployment Compensation (ESD)	N		ESD
Workers Compensation (L&I)	N		L & I
Family Leave	N		ESD

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

Jefferson County Fire Protection District No. 3 was incorporated in 1965 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 and EMS services.

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 different from the ending net position classifications 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.

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

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 \$5,000.00 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

No more than ninety-six (96) hours of vacation time accrued in one year may carry-over from one year to the next with the exception of the first year of employment, and is payable upon separation or retirement.

Sick leave may be accumulated up to a maximum of one thousand four hundred and fifty-six (1456) hours for twenty-four (24) hour shift employees, one thousand ninety-two (1092) hours for twelve-hour shift employees, and one thousand forty (1040) hours for eight (8) hours shift employees. Upon separation or retirement employees receive payment for unused sick leave in excess of seven hundred twenty-eight (728) hours at twenty five percent (25%) of their regular rate of pay. Compensatory time may be carried over from year to year, but hours exceeding ninety-six (96) will be automatically cashed out at the earliest payroll cycle. Upon separation or retirement, employees shall be paid at their current rate of pay for all unused compensatory time. Payments are recognized as expenditures when paid.

Total Cost of Compensated Absences: \$32,496.70

Note 2 - Budget Compliance

The district adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total 001 - General Fund	2193650.00	2132677.94	60972.06
101 - EMS Fund	1090751.00	992381.55	98369.45
300 - Capital Project Fund	112100.00	109244.57	2855.43

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

Note 3 – 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.

We also entered into a temporary interlocal agreement with neighboring fire districts in Clallam, Jefferson and Kitsap counties. This agreement is for staffing backfill and is in place for the duration of the COVID-19 Pandemic only. The length of time these measures will be in place and the full extent of the financial impact is unknown at this time.

The District and Local 3811 agreed on a Memorandum of Understanding to create and fund a COVID-19 Pandemic Sick Leave Bank. This bank can only be used for COVID related illnesses. Personnel will be given up to 96 hours of sick leave in a separate bank, it cannot be used in lieu of standard sick leave and has no cash or service credit value. The 96 hours are replenished upon use up to 96 hours.

Note 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments	Deposits & investments held by the (City,Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
Cash (Held in Funds at County Treasurer)	1,553,503		1,553,503
LGIP	1,841,897		1,841,897
<i>Totals</i>	3,395,400	0	3,395,400

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

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.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (LEOFF 2, PERS 2 and PERS 3).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (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, 2021 (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:

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	3548.74	0.00047600%	1,221,234,000	5,813	
PERS 2/3	5801.53	0.00061200%	-9,961,609,000		(60,965)
LEOFF 2	64562.13	0.03238700%	-5,808,414,000		(1,881,171)
VFFRPF	360	0.190000%			(40,725)
		<i>Totals</i>		\$ 5,813	\$ (1,982,861)

LEOFF Plan 1

The district also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

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.

The district's regular levy for the year 2021 was \$1.327 per \$1,000 on an assessed valuation of \$1,352,915,599 for a total regular levy of \$1,794,775.80.

The district's EMS levy for the year 2021 was \$.4740 per \$1,000 on an assessed valuation of \$1,355,902,063 for a total EMS levy of \$642,649.12.

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular	1.327	1,352,915,599	1,794,776
EMS	0.4740	1,355,902,063	642,649

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

Note 7 – Risk Management

The District purchases commercial insurance policies through Edgren Hecker & Lemmon for our auto, property, accident & sickness and liability coverage. The District also participates in the Washington State Workers Compensation and Unemployment programs.

Type of Risk	Self -insured (Y/N)	Not Applicable (Y/N)	Or Name of Insurer
Property & Liability	N		McNeil
Health & Welfare	N		Trusted Plans
Unemployment Compensation (ESD)	N		ESD
Workers Compensation (L&I)	N		L&I
Family Leave	N		ESD

Note 8 – Other Disclosures

EMS Special Agency Fund Interlocal Agreement

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.

3-2 ALS Agreement

The district has an Interlocal agreement to provide ALS services to Jefferson County Fire Protection District No. 2.

During the term of this agreement, PLFR shall furnish ALS services including ambulance transport to all persons within the geographical boundaries of the Recipient District. Such ALS services shall be rendered on the same basis as such services are rendered to persons within PLFR but PLFR assumes no liability for failure to provide such services by reason of circumstances beyond its control. In the event of simultaneous emergency medical calls whether within or outside the Recipient District whereby the facilities and personnel of PLFR are taxed beyond its ability to render ALS services, the officers and agents of PLFR shall have discretion as to which call shall be answered first and shall be the sole judge as to the most expeditious manner of handling and responding to such calls. PLFR will be compensated \$30,000.00 annually in quarterly payments of \$7,500.00.

JeffCom

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

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

Marine 31 ILA with North Kitsap Fire & Rescue

In June of 2016 the District entered into an Interlocal Agreement with North Kitsap Fire & Rescue (NKFR) to establish Marine 31.

NKFR received a grant for a new boat and needed to maintain coverage of the west end of their District. Both Districts agreed to keep the older boat moored at the Port Ludlow Marina and Port Ludlow Fire & Rescue would insure, maintain, and respond in the boat to marine calls in our District as well as to those calls in NKFR's District. NKFR would maintain ownership of the boat until such time that the parties decide to amend or cancel the Interlocal Agreement.

Firefighter/Paramedic Backfill ILA with North Kitsap Fire & Rescue

The District entered into an agreement with North Kitsap Fire & Rescue (NKFR) for back-fill coverage of overtime. Once the District exhausts its efforts to obtain overtime coverage through its off-duty personnel as well as its approved per-diem list, a request for backfill is made. If the agency requested has someone available and willing to work the overtime shift, they let us know and are put on the schedule. They then bill the District for the full cost of that employee.

Firefighter/Paramedic Backfill ILA with East Jefferson Fire & Rescue

The District entered into an agreement with East Jefferson Fire Rescue (EJFR) for back-fill coverage of overtime. Once the District exhausts its efforts to obtain overtime coverage through its off-duty personnel as well as its approved per-diem list, a request for backfill is made. If the requested agency has someone available and willing to work the overtime shift, they let us know and are put on the schedule. They then bill the District for the full cost of that employee.

Vote of No Confidence

On September 8, 2020, Local 3811 presented a Vote of No Confidence in Fire Chief Brad Martin to the Board of Commissioners. They followed up with a second letter on October 9, 2020. The Board voted to hire a third-party investigator to look into the allegations made in the two letters from the Union at their October 13, 2020 meeting. The Investigation concluded in February 2021. Chief Martin was put on Administrative Leave with pay on May 3, 2021 until further notice. The Board appointed Gary Kavanagh as Interim Fire Chief on May 17, 2021. The Board decided not to renew Chief Martin's contract which expired on August 31, 2021.

Fire Management Services ILA

On September 1, 2021 the District entered into a Fire Management Services ILA with East Jefferson Fire & Rescue (EJFR). The ILA provides the shared services of the Fire Chief, two (2) Assistant Chiefs and three (3) Battalion Chiefs. The ILA was administered in a tiered step process to allow for the EJFR members to become better acquainted with the workings of the District. Tier 1 compensation was \$14,500 per month, Tier 2 was \$19,000 per month. These were subject to a COLA based on 100% Seattle Tacoma Bellevue CPI from June-June of the previous year with a minimum 1.5% and a maximum 4%.

Contract Negotiations

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2021

Our Labor contract should have been ratified as of January 1, 2021, but negotiations did not start until late 2020. This was in part due to the COVID-19 Pandemic and then was further delayed when the Vote of No Confidence occurred. Once the Fire Management ILA was in effect, Chief Bret Black began negotiating on behalf of the District. In January 2022, a Memorandum of Understanding was signed between the District and Local 3811 extending the current contract until 2023 and included both retroactive wage increases, staffing language and a slight increase in the District match of the Deferred Comp 457 Plan.

Jefferson County Treasurer – Change in Accounting Software

In June 2021, the Jefferson County Treasurer switched their accounting software from GEMS to MUNIS. This was a difficult transition in terms of reconciling. It took several months for me to decipher the reports and be able to enter the revenue into our accounting software (Springbrook) and get reconciled. I am including in my attachments the January and May Treasurer reports from the GEMS Software and the June and December Treasurer reports from the MUNIS Software, so the full revenues are able to be seen. The MUNIS software does not include any revenue prior to June and they are not very user friendly.

Jefferson County Fire Protection District No. 3
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. 3 was incorporated in 1965 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 and EMS services.

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 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, 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.

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2020

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.

In accordance with state law the district also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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 \$5,000.00 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

No more than ninety-six (96) hours of vacation time accrued in one year may carry-over from one year to the next with the exception of the first year of employment, and is payable upon separation or retirement.

Sick leave may be accumulated up to a maximum of one thousand four hundred and fifty-six (1456) hours for twenty-four (24) hour shift employees, one thousand ninety-two (1092) hours for twelve-hour shift employees, and one thousand forty (1040) hours for eight (8) hours shift employees. Upon separation or retirement employees receive payment for unused sick leave in excess of seven hundred twenty-eight (728) hours at twenty five percent (25%) of their regular rate of pay. Compensatory time may be carried over from year to year, but hours exceeding ninety-six (96) will be automatically cashed out at the earliest payroll cycle. Upon separation or retirement, employees shall be paid at their current rate of pay for all unused compensatory time. Payments are recognized as expenditures when paid.

Total Cost of Compensated Absences: \$40,812.39

Note 2 - Budget Compliance

The district adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2020

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total 001 - General Fund	2352870.00	2027128.00	325742.00
101 - EMS Fund	681000.00	569384.39	111615.61
300 - Capital Project Fund	0.00	0.00	0.00

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

Note 3 – 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.

With the potential for increased expenses in our personal protective supplies and increases overtime costs we implemented an essential spending only directive. We also entered into a temporary interlocal agreement with neighboring fire districts in Clallam, Jefferson and Kitsap counties. This agreement is for staffing backfill and is in place for the duration of the COVID-19 Pandemic only. The length of time these measures will be in place and the full extent of the financial impact is unknown at this time.

Note 4 – Deposits and Investments

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

Type of Deposit or Investment	District's own deposits & investments		Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations.	Combined
Cash (Held in Funds at County Treasurer)	244,210			244,210
LGIP	2,515,128			2,515,128
CD	576,149			576,149
<i>Totals</i>	3,335,487		0	3,335,487

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

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2020

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (LEOFF 2, PERS 2 and PERS 3).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (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 Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	3374.69	0.00043800%	3,530,540,000	15,464	
PERS 2/3	5226.02	0.00056700%	1,278,943,000	7,252	
LEOFF 2	66635.67	0.03406400%	(2,039,854,000)		(694,856)
VFFRPF	270	0.140000%	(35,240,000)		(48,982)
		<i>Totals</i>		\$ 22,715	\$ (743,838)

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2020

LEOFF Plan 1

The district also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

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.

The district’s regular levy for the year 2020 was \$1.43 per \$1,000 on an assessed valuation of \$1,239,868,171 for a total regular levy of \$1,774,968.47.

The district’s EMS levy for the year 2020 was \$.50 per \$1,000 on an assessed valuation of \$1,242,740,829 for a total EMS levy of \$621,370.41.

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular	1.4315783819	1,239,868,171	1,774,968
EMS	0.500	1,242,740,829	621,370

Note 7 – Risk Management

The District purchases commercial insurance policies through Edgren Hecker & Lemmon for our auto, property, accident & sickness and liability coverage. The District also participates in the Washington State Workers Compensation and Unemployment programs.

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2020

Note 8 – Other Disclosures

EMS Special Agency Fund Interlocal Agreement

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.

3-2 ALS Agreement

The district has an Interlocal agreement to provide ALS services to Jefferson County Fire Protection District No. 2.

During the term of this agreement, PLFR shall furnish ALS services including ambulance transport to all persons within the geographical boundaries of the Recipient District. Such ALS services shall be rendered on the same basis as such services are rendered to persons within PLFR but PLFR assumes no liability for failure to provide such services by reason of circumstances beyond its control. In the event of simultaneous emergency medical calls whether within or outside the Recipient District whereby the facilities and personnel of PLFR are taxed beyond its ability to render ALS services, the officers and agents of PLFR shall have discretion as to which call shall be answered first and shall be the sole judge as to the most expeditious manner of handling and responding to such calls. PLFR will be compensated \$30,000.00 annually in quarterly payments of \$7,500.00.

JeffCom

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

Marine 31 ILA with North Kitsap Fire & Rescue

In June of 2016 the District entered into an Interlocal Agreement with North Kitsap Fire & Rescue (NKFR) to establish Marine 31.

NKFR received a grant for a new boat and needed to maintain coverage of the west end of their District. Both Districts agreed to keep the older boat moored at the Port Ludlow Marina and Port Ludlow Fire & Rescue would insure, maintain, and respond in the boat to marine calls in our District as well as to those calls in NKFR's District. NKFR would maintain ownership of the boat until such time that the parties decide to amend or cancel the Interlocal Agreement.

Firefighter/Paramedic Backfill ILA with North Kitsap Fire & Rescue

The District entered into an agreement with North Kitsap Fire & Rescue (NKFR) for back-fill coverage of overtime. Once the District exhausts its efforts to obtain overtime coverage through its off-duty personnel as well as its approved per-diem list, a request for backfill is made. If the agency requested has someone

Jefferson County Fire Protection District No. 3
Notes to the Financial Statements
For the year ended December 31, 2020

available and willing to work the overtime shift, they let us know and are put on the schedule. They then bill the District for the full cost of that employee.

Firefighter/Paramedic Backfill ILA with East Jefferson Fire & Rescue

The District entered into an agreement with East Jefferson Fire Rescue (EJFR) for back-fill coverage of overtime. Once the District exhausts its efforts to obtain overtime coverage through its off-duty personnel as well as its approved per-diem list, a request for backfill is made. If the requested agency has someone available and willing to work the overtime shift, they let us know and are put on the schedule. They then bill the District for the full cost of that employee.

Vote of No Confidence

On September 8, 2020, Local 3811 presented a Vote of No Confidence in Fire Chief Brad Martin to the Board of Commissioners. They followed up with a second letter on October 9, 2020. The Board voted to hire a third-party investigator to look into the allegations made in the two letters from the Union at their October 13, 2020 meeting. The Investigation concluded in February 2021. Chief Martin was put on Administrative Leave with pay on May 3, 2021 until further notice. The Board appointed Gary Kavanagh as Interim Fire Chief on May 17, 2021.

Contract Negotiations

Our Labor contract should have been ratified as of January 1, 2021, but negotiations did not start until late 2020. This was in part due to the COVID-19 Pandemic and then was further delayed when the Vote of No Confidence occurred. The Fire Chief was replaced with a third party negotiator and we are currently still in negotiations.

**Jefferson County Fire Protection District No. 3
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.56	Lease - Copier		3,480	-	3,480	-
	Total General Obligation Debt/Liabilities:		3,480	-	3,480	-
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Gov		32,497	-	32,497	-
264.30	Pension Liabilities		5,813	-	5,813	-
	Total Revenue and Other (non G.O.) Debt/Liabilities:		38,310	-	38,310	-
	Total Liabilities:		41,790	-	41,790	-

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		40,812	-	8,315	32,497
264.30	Net Pension Liabilities		22,715	-	16,902	5,813
	Total Revenue and Other (non G.O.) Debt/Liabilities:		63,527	-	25,217	38,310
	Total Liabilities:		63,527	-	25,217	38,310

Jefferson County Fire Protection District No. 3
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		34,573	6,239	-	40,812
264.30	Pension Liabilities		24,846	-	2,131	22,715
Total Revenue and Other (non G.O.) Debt/Liabilities:			59,419	6,239	2,131	63,527
Total Liabilities:			59,419	6,239	2,131	63,527

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.

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