Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Enumclaw Fire Department

For the period January 1, 2018 through December 31, 2019

Published February 16, 2021

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Office of the Washington State Auditor
Pat McCarthy

February 16, 2021

Board of Commissioners
Enumclaw Fire Department
Enumclaw, Washington

Report on Financial Statements

Please find attached our report on Enumclaw Fire Department's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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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*

Enumclaw Fire Department
January 1, 2018 through December 31, 2019

Board of Commissioners
Enumclaw Fire Department
Enumclaw, 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 Enumclaw Fire Department, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 8, 2021.

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

As discussed in Note 8 to the financial statements, in February 2020, a state of emergency was declared, which could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 8.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

February 8, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Enumclaw Fire Department
January 1, 2018 through December 31, 2019

Board of Commissioners
Enumclaw Fire Department
Enumclaw, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Enumclaw Fire Department, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District'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 state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Matters of Emphasis

As discussed in Note 8 to the financial statements, in February 2020, a state of emergency was declared, which could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 8. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

February 8, 2021

FINANCIAL SECTION

Enumclaw Fire Department
January 1, 2018 through December 31, 2019

FINANCIAL STATEMENTS

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Enumclaw Fire Department
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 GENERAL OPERATING FUND	300 CAPITAL OUTLAY FUND 100283010
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	2,888,251	1,352,190	1,536,061
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	4,422,262	4,422,262	-
320	Licenses and Permits	11,431	11,431	-
330	Intergovernmental Revenues	1,288,199	818,620	469,579
340	Charges for Goods and Services	433,902	433,902	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	83,716	48,755	34,961
Total Revenues:		6,239,510	5,734,970	504,540
Expenditures				
510	General Government	-	-	-
520	Public Safety	4,313,246	4,286,108	27,138
Total Expenditures:		4,313,246	4,286,108	27,138
Excess (Deficiency) Revenues over Expenditures:		1,926,264	1,448,862	477,402
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	274,135	24,135	250,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	2,736	2,736	-
Total Other Increases in Fund Resources:		276,871	26,871	250,000
Other Decreases in Fund Resources				
594-595	Capital Expenditures	378,133	25,862	352,271
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	274,135	250,000	24,135
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	(6,478)	(6,248)	(230)
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		645,790	269,614	376,176
Increase (Decrease) in Cash and Investments:		**1,557,345**	**1,206,119**	**351,226**
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	4,445,597	2,558,308	1,887,289
Total Ending Cash and Investments		**4,445,597**	**2,558,308**	**1,887,289**

The accompanying notes are an integral part of this statement.

Enumclaw Fire Department
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 2018 GENERAL OPERATING	100 2018 SPECIAL RESCUE FUND	300 2018 CAPITAL OUTLAY FUND
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,578,839	955,345	5,059	618,434
388 / 588	Net Adjustments	64,189	64,189	-	-
Revenues					
310	Taxes	4,064,283	4,064,283	-	-
320	Licenses and Permits	12,410	12,410	-	-
330	Intergovernmental Revenues	590,547	101,357	-	489,191
340	Charges for Goods and Services	471,940	445,921	-	26,019
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	73,848	52,162	61	21,625
Total Revenues:		5,213,028	4,676,132	61	536,834
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	3,818,920	3,807,992	2,934	7,995
Total Expenditures:		3,818,920	3,807,992	2,934	7,995
Excess (Deficiency) Revenues over Expenditures:		1,394,108	868,141	(2,873)	528,840
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	517,756	2,058	-	515,698
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,800	1,800	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		519,556	3,858	-	515,698
Other Decreases in Fund Resources					
594-595	Capital Expenditures	149,302	22,391	-	126,911
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	517,756	515,698	2,058	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	1,381	1,253	128	-
Total Other Decreases in Fund Resources:		668,440	539,343	2,186	126,911
Increase (Decrease) in Cash and Investments:		**1,245,225**	**332,656**	**(5,059)**	**917,627**
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	2,888,251	1,352,190	-	1,536,061
Total Ending Cash and Investments		**2,888,251**	**1,352,190**	**-**	**1,536,061**

The accompanying notes are an integral part of this statement.

Enumclaw Fire Department
Notes to the Financial Statements
For the year ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The Enumclaw Fire Department was incorporated in 1946 and operates under the laws of the state of Washington applicable to a fire protection district. The district is a special purpose local government and provides fire protection and emergency services to the general public.

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

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

A. Fund Accounting

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

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 3 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 500 hours and is payable upon separation or retirement. The District's liability for vacation pay benefits on December 31, 2019 was $225,211.31. Payments are recognized as expenditures when paid.

Sick leave may be accumulated up to 1,352 hours for union employees and up to 1,056 hours for non-union employees. Upon separation or retirement employees receive payment for unused sick leave at the rate of $0.50 on the dollar; union employees must have eight (8) years of service at the time of separation to receive payout of accrued sick leave. The District's liability for unused sick leave on December 31, 2019 was $278,329.55. Payments are recognized as expenditures when paid.

Compensatory leave may be accumulated up to 90 hours for union employees and 60 hours for non-union employees. Compensatory leave is payable upon separation or retirement. Employees have the option to cash out compensatory hours each November. The District's liability for unused compensatory hours on December 31, 2019 was $210.95. Payments are recognized as expenditures when paid.

F. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by District's Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts.

Note 2 – Budget Compliance

The district adopts annual propriated budgets for the General Operating and Capital Outlay funds. These budgets are appropriated at the fund level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - 2019 GENERAL OPERATING FUND 100280010	5,036,000	4,555,723	480,277
300 - 2019 CAPITAL OUTLAY FUND 100283010	461,200	403,314	57,886

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

The District hired two Entry-Level Firefighters in February 2019; these positions were approved in the adopted budget.

The Office Manager went on FMLA starting September 30, 2019. October 1, 2019 the part-time Administrative Assistant position was moved to full-time (40/hours per week) and was given a 3% pay increase. The Office Manger returned to work on light duty on November 26, 2019.

Note 3 – Deposits and Investments

The King County Treasurer performs all investment activities for the District and holds all investment details. As of December 31, 2019, $4,425,953.42 is held by the King County Treasurer for the Enumclaw Fire Department.

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

Note 4 - Property Tax

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

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

The District's regular levy for the year 2019 was $1.41664 per $1,000 on an assessed valuation of $2,865,676,408 for a total regular levy of $4,059,629.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all 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 & PERS2.

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, 2019 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1	0	3,845,355,000		-	
PERS 1 UAAL	6768.12	3,845,355,000	0.00094390%	36,296	
PERS 2/3	9949.1	971,340,000	0.00121815%	11,832	
PSERS 2	0	(13,004,000)			-
LEOFF 1	0	(1,976,611,000)			-
LEOFF 2	116141.3	(2,316,693,000)	0.06299297%		(1,459,354)
VFFRPF		(67,993,000)			184,903
			Totals	$ 48,129	$ (1,274,451)

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

Note 6 – Other Post-Employment Benefits (OPEB) Plans

The District entered into a new collective bargaining agreement with the Enumclaw Firefighter's Union Local 3931 beginning January 1, 2019. Part of this new agreement includes a supplemental appendix for a Salary Savings Plan for retirees. The district currently has no individuals on the plan therefore there currently is no financial liability associated with it.

Note 7 – Risk Management

Type of Risk	Self -insured (Y/N)	Or Name of Insurer
Property & Liability	N	CIAW
Health & Welfare	N	LEOFF Health & Welfare
Unemployment Compensation (ESD)	Y	
Workers Compensation (L&I)	N	WA State Dept of Labor & Industries

The Enumclaw Fire Department is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2019, there are 191 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000. Members are responsible for a $1,000 to $10,000 deductible for each claim, while the program is responsible for the $100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the $100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of $1,910,871**.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a $10,000 member deductible and $40,000 self-insured retention for systems using encryption and $50,000 member deductible and $50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed

automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2019, were $2,687,104.78.**

In addition to insurance coverage described above through CIAW, the Enumclaw Fire Department is self-insured for unemployment compensation. Based upon the history of the organization having minimal layoffs and the anticipated future growth of the organization the Board of Commissioners have determined that in the event unemployment claim(s) are filed, the Enumclaw Fire Department has adequate cash flow to fund the liability out of the District's general operating fund. The financial affairs of the Enumclaw Fire Department are managed by the Board of Fire Commissioners. Pursuant to RCW 52.26.080 the Board has the power to adopt reasonable rules to govern the Enumclaw Fire Department, and to generally perform all such acts as may be necessary to carry out the objects of the Fire District.

See Schedule 21 for additional self-insured information.

Note 8 – 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.

King County Public Health and King County EMS put several COVID-19 protocols in place that will have direct and indirect financials impact to the Enumclaw Fire Department. This included but is not limited to:

- Increased usage of Personal Protective Equipment (N95 Masks, Gowns and Eye Protection).
- Increased cost of Personal Protective Equipment due to shortages.
- Overtime coverage for Firefighter/EMT's placed into Quarantine/Isolation due to a documented COVID-19 exposure.
- Purchasing of cleaning and disinfectant supplies.

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 9 - Other Disclosures

As a result of the DRS reporting error disclosed in the 2018 notes, the Department of Retirement Systems adjusted the basic salary component used to calculate monthly retirement pension for two retirees. As a result of the adjustment to their monthly retirement pension amount, the Department of Retirement Systems

issued invoices to both retirees for overpaid retirement benefits. Both retirees sought legal representation and requested reimbursement from the District for the overpayment. The District has reached settlement agreements with both retirees, one in 2019 and one in 2020.

Note 1 - Summary of Significant Accounting Policies

The Enumclaw Fire Department was incorporated in 1946 and operates under the laws of the state of Washington applicable to a fire protection district. The district is a special purpose local government and provides fire protection and emergency services to the general public.

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

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

A. Fund Accounting

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

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 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 500 hours and is payable upon separation or retirement. The District's liability for vacation pay benefits on December 31, 2018 was $204,102.22. Payments are recognized as expenditures when paid.

Sick leave may be accumulated up to 1,352 hours for union employees and up to 1,056 hours for non-union employees. Upon separation or retirement employees receive payment for unused sick leave at the rate of $0.50 on the dollar; union employees must have eight (8) years of service at the time of separation to receive payout of accrued sick leave. The District's liability for unused sick leave on December 31, 2018 was $174,040.24. Payments are recognized as expenditures when paid.

Compensatory leave may be accumulated up to 90 hours for union employees and 60 hours for non-union employees. Compensatory leave is payable upon separation or retirement. Employees have the option to cash out compensatory hours each November. The District's liability for unused compensatory hours on December 31, 2018 was $300.27. Payments are recognized as expenditures when paid.

F. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the District's Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts.

Note 2 – Budget Compliance

The district adopts annual appropriated budgets for the General, Special Rescue, and Capital Outlay 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:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - 2018 GENERAL OPERATING FUND 100280010	4,445,000	4,426,335	18,665
100 - 2018 SPECIAL RESCUE FUND 100286030	11,250	5,120	6,130
300 - 2018 CAPITAL OUTLAY FUND 100283010	125,000	134,906	(9,906)

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 legislative body.

The District hired a part-time Administrative Assistant in February 2018, this position was approved in the adopted budget. The variance in the Capital Outlay Fund was due to an invoice paid for the financial software upgrade that was paid out of the Capital Outlay Fund for $15,698.17. This expenditure was budgeted in the General Operating Fund, a transfer from the General Operating Fund to the Capital Outlay Fund for the exact amount was completed to offset the expenditure. There were no budget amendments needed in 2018.

Note 3 – Deposits and Investments

The King County Treasurer performs all investment activities for the District and holds all investment details. As of December 31, 2018, $2,899,597.65 is held by the King County Treasurer for the Enumclaw Fire Department.

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

Note 4 - Property Taxes

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

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

The district regular levy for the year 2018 was $1.47865 per $1,000 on an assessed valuation of $2,537,080,035 for a total regular levy of $3,754,463.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all district 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.

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, 2018 (the measurement date of the plans), the district proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1		4,466,034,000		-	
PERS 1 UAAL	5265.35	4,466,034,000	0.00078800%	35,192	
PERS 2/3	7840.6	1,707,411,000	0.00101600%	17,347	
PSERS 2		1,239,000		-	
LEOFF 1		(1,815,502,000)			-
LEOFF 2	108174.09	(2,030,218,000)	0.06238100%		(1,266,470)
VFFRPF		(52,844,000.00)			162,478
			Totals	$ 52,540	$ (1,103,992)

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

Note 6 – Risk Management

Type of Risk	Self -insured (Y/N)	Or Name of Insurer
Property & Liability	N	CIAW
Health & Welfare	N	LEOFF Health & Welfare
Unemployment Compensation (ESD)	Y	
Workers Compensation (L&I)	N	WA State Dept of Labor & Industries

The Enumclaw Fire Department is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2018, there are 207 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000. Members are responsible for a $1,000 to $10,000 deductible for each claim, while the program is responsible for the $100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the $100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of $1,922,394**.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a $10,000 member deductible and $40,000 self-insured retention for systems using encryption and $50,000 member deductible and $50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year and must give notice before

December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **December 1, 2018, were $2,809,430.40.**

In addition to insurance coverage described above through CIAW, the Enumclaw Fire Department is self-insured for unemployment compensation. Based upon the history of the organization having minimal layoffs and the anticipated future growth of the organization the Board of Commissioners have determined that in the event unemployment claim(s) are filed, the Enumclaw Fire Department has adequate cash flow to fund the liability out of the District's general operating fund. The financial affairs of the Enumclaw Fire Department are managed by the Board of Fire Commissioners. Pursuant to RCW 52.26.080 the Board has the power to adopt reasonable rules to govern the Enumclaw Fire Department, and to generally perform all such acts as may be necessary to carry out the objects of the Fire District.

Note 7 - Other Disclosures

A Department of Retirement System (DRS) reporting error was discovered in April of 2018. We contacted DRS as well as Attorney Snure immediately whom both confirmed replacement wages for non-pensionable benefits, such as Social Security, are not consider pensionable if it is referenced in the contract, or on paystubs, as "replacement", "in lieu of", or any other similar language or if it is obvious it equates to the employer's portion of the social security contribution, currently 6.2%. In both King County Fire District #28 union and non-union contracts, the Social Security article directly references such pay shall be considered in lieu of a social security benefit. This pay was reported as pensionable wages to DRS for employees from January 2011 through March 2018. At this time the District also reviewed all aspects of all contracts and the items that were being reportable as pensionable. Through this process it was also discovered that the following items were being reportable as pensionable for current and former personnel and did not qualify as DRS reportable compensation for PERS or LEOFF; deferred compensation (all employees and former employees) and insurance premiums (former administrative employees only). The WACs that were refenced were WAC 415-108-475 and WAC 415-108-463. The District acted by reporting the corrections to both the affected personnel and DRS. DRS issued a credit of $143,189.79 to the District resulting from the corrections for both the employer and member over contributions. The District then refunded the member contributions amounts totaling $79,000.96 to both current and former employees that were affected by the error. These amounts are reported in the 2018 financials as prior period adjustments.

Enumclaw Fire Department
Schedule of Liabilities
For the Year Ended December 31, 2019

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Time	12/31/2019	300	-	89	211
259.12	Sick Leave	12/31/2019	174,040	106,825	2,535	278,330
259.12	Vacation Leave	12/31/2019	204,102	35,853	14,744	225,211
264.30	Pension Liability		52,540	-	4,411	48,129
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**430,982**	**142,678**	**21,779**	**551,881**
	Total Liabilities:		**430,982**	**142,678**	**21,779**	**551,881**

Enumclaw Fire Department
Schedule of Liabilities
For the Year Ended December 31, 2018

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensatory Time	12/31/2018	75	225	-	300
259.12	Sick Leave	12/31/2018	145,169	31,044	2,173	174,040
259.12	Vacation Leave	12/31/2018	170,676	38,477	5,051	204,102
264.30	Pension Liability		66,057	-	13,517	52,540
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**381,978**	**69,746**	**20,741**	**430,983**
	Total Liabilities:		**381,978**	**69,746**	**20,741**	**430,983**

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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