



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pierce County Fire Protection District No 3

(West Pierce Fire and Rescue)

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

Published December 6, 2021
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Office of the Washington State Auditor Pat McCarthy

December 6, 2021

Board of Commissioners
West Pierce Fire and Rescue
University Place, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on West Pierce Fire and Rescue's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

West Pierce Fire and Rescue January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of West Pierce Fire and Rescue are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies*: We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses*: We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies*: We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses*: We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
97.036	COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.044	Assistance to Firefighters Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

West Pierce Fire and Rescue January 1, 2020 through December 31, 2020

2020-001 The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.

CFDA Number and Title:	97.044 Assistance to Firefighters Grant
Federal Grantor Name:	Federal Emergency Management Agency, Department of Homeland Security
Federal Award/Contract Number:	EMW-20190FG-02399
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Background

The purpose of the Assistance to Firefighters (AFG) Program is to enhance the safety of the public and firefighters by providing direct financial assistance for critically needed resources that equip and train emergency personnel to recognized standards. During fiscal year 2020, the District spent \$422,765 in AFG program funds to pay for training, purchase a fire truck and smoke alarm equipment.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the District contracts for goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor is not suspended or debarred. The District can verify a contractor's status by obtaining written certification from the contractor, or it can insert a clause into the contract stating the contractor is not suspended or debarred. Alternatively, the District can check the U.S. General Services Administration's Excluded Parties List System

(EPLS) through SAM.gov. The District must meet one of these requirements before awarding the contract, and it must keep documentation demonstrating compliance with this federal requirement.

Description of Condition

The District's internal controls were not effective to ensure it complied with the federal suspension and debarment requirements for all contracts of \$25,000 or more.

The District was aware of the requirement and has an established process in which an employee performs the suspension and debarment check using the EPLS during the procurement process before awarding a contract. The District employee is then required to print a copy of the search with a time stamp date at the bottom of the print out as evidence the contractor is not suspended or debarred. This print out is retained in the procurement file.

For one of the two purchases made during the year, the District did not maintain evidence of its SAM.gov search to show the contractor was not suspended or debarred.

We consider this deficiency to be a material weakness, which led to material noncompliance.

The issue was not reported as a finding in the prior audit.

Cause of Condition

The District could not demonstrate it followed its established process as it did not maintain the EPLS print out.

Effect of Condition

Without adequate internal controls, the District cannot ensure the contractor paid with federal funds is eligible to participate in federal programs. Any program funds paid to a suspended or debarred vendor would be unallowable and subject to recovery by the funding agency.

During fiscal year 2020, the District used \$49,532 of program funds to pay a contractor for smoke detectors. We did verify the contractor was not suspended or debarred, so we are not questioning these costs.

Recommendation

We recommend the District follow federal requirements and its own written policies and procedures by checking and retaining supporting evidence for all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred.

District's Response

The District has controls in place relative to verification of suspension and debarment; accessing records via SAM and printing, with a time/date stamp, the verification. In this particular case, the printed document was lost. It has clearly been shown these controls need to be bolstered and expanded. We have already taken steps to improve the process. Moving forward we will create a digital record of the search in our SAM account, save an electronic version, as well as the printed version placed in the grant file.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 180, OMB Guidelines on Agencies on Government Wide Department and Suspension (Non procurement) establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

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*

West Pierce Fire and Rescue January 1, 2020 through December 31, 2020

Board of Commissioners
West Pierce Fire and Rescue
University Place, 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 West Pierce Fire and Rescue, as of and for the year ended December 31, 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 30, 2021.

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

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with "Pat" on top and "McCarthy" below it, both starting with a capital letter.

Pat McCarthy, State Auditor

Olympia, WA

November 30, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

West Pierce Fire and Rescue January 1, 2020 through December 31, 2020

Board of Commissioners
West Pierce Fire and Rescue
University Place, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of West Pierce Fire and Rescue, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 that we consider to be a material weakness.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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, appearing to read "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

November 30, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

West Pierce Fire and Rescue January 1, 2020 through December 31, 2020

Board of Commissioners
West Pierce Fire and Rescue
University Place, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of West Pierce Fire and Rescue, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 18.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of West Pierce Fire and Rescue, and its changes in cash and investments, for the year ended December 31, 2020, 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 West Pierce Fire and Rescue, as of December 31, 2020, or the changes in financial position or cash flows thereof for the year 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 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also 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 November 30, 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

November 30, 2021

FINANCIAL SECTION

West Pierce Fire and Rescue January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

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

		Total for All Funds (Memo Only)	003 General	203 General Obligation
Beginning Cash and Investments				
308	Beginning Cash and Investments	16,484,138	16,280,271	203,867
388 / 588	Net Adjustments	(3,658)	(3,658)	-
Revenues				
310	Taxes	39,908,237	38,613,535	1,294,702
320	Licenses and Permits	92,897	92,897	-
330	Intergovernmental Revenues	3,602,677	3,602,677	-
340	Charges for Goods and Services	4,288,133	4,288,133	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	607,409	605,492	1,917
Total Revenues:		48,499,353	47,202,734	1,296,619
Expenditures				
510	General Government	-	-	-
520	Public Safety	40,216,820	40,216,820	-
Total Expenditures:		40,216,820	40,216,820	-
Excess (Deficiency) Revenues over Expenditures:		8,282,533	6,985,914	1,296,619
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	484,445	54,250	430,195
385	Special or Extraordinary Items	-	-	-
381, 382, 389,	Other Resources	196,380	196,380	-
395, 398				
Total Other Increases in Fund Resources:		680,825	250,630	430,195
Other Decreases in Fund Resources				
594-595	Capital Expenditures	3,328,281	3,328,281	-
591-593, 599	Debt Service	1,808,297	-	1,808,297
597	Transfers-Out	484,439	430,189	54,250
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		5,621,017	3,758,470	1,862,547
Increase (Decrease) in Cash and Investments:		3,342,341	3,478,074	(135,733)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	68,135	-	68,135
50841	Committed	-	-	-
50851	Assigned	5,122,348	5,122,348	-
50891	Unassigned	14,632,339	14,632,339	-
Total Ending Cash and Investments		19,822,822	19,754,687	68,135

The accompanying notes are an integral part of this statement.



PIERCE COUNTY FIRE PROTECTION DISTRICT No. 3

MCAG 1255

Notes to Financial Statements

January 1, 2020 through December 31, 2020

The following notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District is a special purpose government that provides fire protection services to the general public and is supported primarily through property taxes. The District was incorporated in 1944 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts. In March of 2011, Fire District 2 merged into Fire District 3.

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 that are similar to the ending balance classification in GAAP.

A. Fund Accounting

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

FIDUCIARY FUND TYPES:

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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 & Investments**

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments. See Note 4 for further details.

D. **Capital Assets**

Capital assets are assets with an initial individual or programmatic cost of more than \$5,000. Capital assets and inventory are recorded as capital expenditures when purchased.

E. **Compensated Absences**

Vacation leave may be accumulated up to 720 hours for the most senior shift employees and is payable upon separation or retirement. Sick leave may accumulate up to 1276 hours for shift employees and 1040 for most day employees. Upon separation or retirement most employees receive payment of 25% of accrued unused sick leave. Estimated liability for sick leave and vacation leave benefits on December 31, 2020 was \$5,023,309. There are leave banks, such as shared leave, which don't have a value attributed to them as it would vary based on either who donated the leave or who used the leave.

F. **Long-Term Debt**

See Note 5, Debt Service Requirements.

G. **Restricted and Committed Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board. When expenditures that meet restrictions are incurred, the District intends to use the most restricted resource first.

Restrictions and commitments of Ending Cash and Investments consist of \$68,135 at year-end. Specific uses for this amount are debt service for voter approved bonds.

NOTE 2- BUDGET COMPLIANCE

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Legislative	64,221	57,648	6,574
Technology	1,565,039	1,590,154	(25,115)
Communications/Planning	599,505	569,448	30,057
Administration	3,380,684	3,308,509	72,175
Suppression	18,449,039	18,482,802	(33,763)
Prevention	1,567,654	1,613,787	(46,133)
Training	1,394,323	1,321,688	72,635
Logistics	1,461,956	1,422,652	39,304
Fleet	1,304,153	1,223,897	80,256
EMS	10,026,725	9,539,058	487,667
Emergency Management	377,166	391,053	(13,887)
Fire Communications	662,670	696,125	(33,455)
Capital	2,852,436	3,328,281	(475,845)
Other Financing Uses	2,275,041	2,272,282	20,894
General Fund	45,980,611	45,817,382	181,364
Reserve Fund	250,000	250,000	0
GOB Fund	1,870,179	1,862,547	7,632

Budgeted amounts are authorized to be transferred between (departments within any fund/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 – PROPERTY TAX

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

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

The District's regular levy for the year 2020 was \$1.50 per \$1,000 on an assessed valuation of \$12,409,496,168 for a total regular levy of \$18,614,244.25. The County refund fund was \$0.00 for a total of \$0.00.

The District's EMS levy for the year 2020 was \$0.50 per \$1,000 on an assessed valuation of \$12,409,496,168 for a total EMS levy of \$6,204,748.08. The County refund fund was \$0.00 for a total of \$0.00.

The District's excess levy for the year 2020 was \$1.138810743199 per \$1,000 on an assessed valuation of \$12,290,892,129 for a total excess levy of \$13,997,000. The County refund fund was \$0.00 for a total of \$0.00.

Previous District 2's Bond for the year 2020 was \$0.168975087766 per \$1,000 on an assessed valuation of \$7,693,441,780 for a total bond levy of \$1,300,000.00. The County refund fund was \$0.00 for a total of \$0.00.

NOTE 4 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Investments by type at December 31, 2020 were as follows:

Type	District's Own	Investments held by Pierce County	Total
L.G.I.P.	\$18,290,400.79		\$18,290,400.79
Deposits	\$1,532,421.21		\$1,532,421.21

The District's investments are held by Pierce County as its agent in the District's name. It is the District's policy to invest all temporary cash surpluses. The interest on these investments is retained in the fund earning the interest.

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

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

The District maintains a transfer fund; any funds remaining at year-end are subsequently reported as revenue and recorded in January of the following year.

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

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

NOTE 5 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation bonds (non-voter and voter approved) and LOCAL Program, including interest, are as follows:

<u>District 3</u>		<u>Non-Voter Approved GOB</u>		
<u>Year</u>		<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2021		115,000	4,600	119,600
Total		115,000	4,600	119,600

<u>District 2</u>		<u>Voter Approved GOB</u>		
<u>Year</u>		<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2021		1,380,000	43,470	1,423,470
Total		1,380,000	43,470	1,423,470

<u>District 3</u>		<u>LOCAL Program - Engines</u>		
<u>Year</u>		<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2021		197,548	15,310	212,858
2022		207,426	5,186	212,611
Total		404,974	20,496	425,469

<u>District 3</u>		<u>LOCAL Program- Station Alerting</u>		
<u>Year</u>		<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2021		87,436	13,799	101,235
2022		91,920	9,428	101,347
2023		96,633	4,832	101,465
Total		275,989	28,059	304,047

NOTE 6 - PENSION PLANS

A. State Sponsored Pension Plans

Substantially all of Fire District 3's full-time and qualifying part-time employees participate in either the Public Employees Retirement System (PERS) or under the Law Enforcement Officers and Fire Fighters (LEOFF) pension plans administered by the Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2020, the District's proportionate share of the collective net pension liabilities, as reported on Schedule 9, was as follows:

	<i>Employer Contributions</i>	<i>Allocation %</i>	<i>Liability (Asset)</i>
PERS 1	146,554	0.020221%	713,910
PERS 2	241,351	0.026199%	335,070
LEOFF 1	0	0.108893%	(2,056,454)
LEOFF 2	1,180,333	0.603380%	(12,308,071)

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.

B. Defined Contribution Pension Plans

457(b) Plans; Various Collective Bargaining Agreements and Personal Services agreements define the amount contributed on behalf of the District and if there are any matching funds (employee contributions) required. In 2020, the maximum monthly contribution for an employee was \$750. For fiscal year ending December 31, 2020, the District contributed a total of \$421,700

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DCP (*State of Washington*)

NOTE 7 – OPEB PLANS

The District has a commitment to pay for post-employment benefits that belong to LEOFF 1 (medical, dental, prescriptions, and long-term care), a defined benefit plan.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined benefit OPEB plan administered by the District as required by RCW 41.26. The plan pays 100% of eligible retirees' healthcare costs on a pay-as-you-go base. As of December 31, 2020, the plan had 31 members, all retirees. As of December 31, 2020 the District's total OPEB was \$18,811,710 as calculated using the alternative measurement method. For year ended December 31, 2020, the District paid \$257,104.04 in benefits.

The District administers a PERS 2 / LEOFF 2 Retiree Medical Program to make an annual contribution to an HRA/VEBA for qualifying retirees.

The District pays an annual lump sum as defined in a District Resolution, which is tied to a single employee medical premium amount and is capped at a maximum 7.5% increase annually; it ceases at the age of 65. As of December 31, 2020, the plan had 42 PERS 2/LEOFF 2 retired/qualified members and 190 active employees; the District contributed \$433,133.81. The total OPEB liability was \$6,869,578 at December 31, 2020.

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 a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The Elected Officials of the District subsequently declared state of emergency. Immediate Operational Directives were put in place and strategies implemented relative to continuance of operations. The District stood up its Department Operations Center. Tracking of costs has been ongoing; and the District is pursuing any and all financial resources at the County, State, and Federal level for recovery of those expenses.

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

NOTE 9 – COMPONENT UNITS, JOINT VENTURES AND RELATED PARTIES

The District has a related party relationship with South Sound 911. District 3 maintains a seat on the policy board for this organization, which is filled by one of the elected members of the Board of Fire Commissioners for the District.

On December 22, 2019, South Sound 911 transitioned from an interlocal administrative agency to a Public Development Authority (PDA) in accordance with RCW 35.21.730-755 ([Resolution 2019-13](#)). The former governing bodies, the Policy Board and Operations Board, were dissolved and the 11-member Board of Directors became the sole governing body to which the South Sound 911 executive director reports.

All local government agencies contracting for the agency's services are represented on the board, either directly or indirectly. A separate Public Safety Communications Operations Committee of police and fire chiefs advise the Board of Directors and executive director on any matters related to South Sound 911 operations.

Board members are elected officials with representation that is reflective of the agency's customer base. Seats on the board are allocated among South Sound 911's member agencies based on the relative size of the most recently approved annual Communications Assessments payable by member agencies. Terms are three (years) and there are no term limits.

In 2020, the District 3 paid South Sound 911 \$662,670 for emergency dispatching services.

There is a 501©3, West Pierce CARES, which does work in support of the community. This non-profit is mainly funded via payroll deduction from District employees. It is administered by a Board and maintains established by-laws.

NOTE 10 – RISK MANAGEMENT

The District is a member of an insurance group, which includes District 3, 5, and 6. Coverage is inclusive of commercial property and general liability. The District meets annual with the group to discuss coverages and address risk. In 2020 the provider was McNeil & Company, Inc.

The District is self-insured for unemployment claims (reimbursable employer through the State of Washington Employment Security Department) and life insurance. In 2020, the District paid out a total of \$48.07 in unemployment claims and no life insurance claims.

NOTE 11 - OTHER DISCLOSURES

In November 2010, the citizens of Fire District 2 approved the merger of Fire District 2 into Fire District 3. The merge become effective March 1, 2011. Fire District 3 is the remaining legal entity; and it is doing business as West Pierce Fire & Rescue. All assets and liabilities of District 2 became those of District 3 with the exception of the debt listed under Note 5 and Schedule 9 - it remains with the citizens who approved it in 2001, within the boundary of Fire District 2.

Pierce 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
General Obligation Debt/Liabilities						
251.11	Refunded Non-voter Approved GOB	12/1/2021	225,000	-	110,000	115,000
251.12	Voter approved GOB	12/1/2021	2,670,000	-	1,290,000	1,380,000
263.96	Engines	6/1/2022	593,115	-	188,141	404,974
263.96	Station Alerting	12/1/2023	359,159	-	83,171	275,988
Total General Obligation Debt/Liabilities:			3,847,274	-	1,671,312	2,175,962
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absenses		4,620,153	2,956,546	2,553,390	5,023,309
264.30	Pension Liabilities		1,000,597	48,384	-	1,048,981
264.40	Retiree Medical		6,416,114	453,464	-	6,869,578
264.40	LEOFF Care		15,531,969	3,279,741	-	18,811,710
Total Revenue and Other (non G.O.) Debt/Liabilities:			27,568,833	6,738,135	2,553,390	31,753,578
Total Liabilities:			31,416,107	6,738,135	4,224,702	33,929,540

Pierce County Fire Protection District No 3
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note	
				From Pass-Through Awards	From Direct Awards	Total			
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via City of Lakewood)	COVID 19 - Coronavirus Relief Fund	21.019	CRF PPE	185,472	-	185,472	-	4	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Provider Relief Fund	93.498	Provider Relief Fund	-	62,237	62,237	-	4	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	National Urban Search and Rescue (US&R) Response System	97.025	WA-TF1	45,424	-	45,424	-	4	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Department of Emergency Management)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	COVID-19	223,583	-	223,583	-	3	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	COVID19	41,525	-	41,525	-	4	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Chelan Douglas Health District)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	COVID-19	34,944	-	34,944	-	4	
Total CFDA 97.036:				300,052	-		300,052	-	

The accompanying notes are an integral part of this schedule.

Pierce County Fire Protection District No 3
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via State of Washington Military Department/City of Lakewood)	Emergency Management Performance Grants	97.042	E20-114	33,265	-	33,265	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington Military Department/City of Lakewood)	COVID 19 - Emergency Management Performance Grants	97.042	EMPG-S	11,210	-	11,210	-	2
				Total CFDA 97.042:	44,475	-	44,475	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2018-FP-00364	-	97,042	97,042	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2018-FR-00440	-	193,455	193,455	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2019-FG-02399	-	132,268	132,268	-	4
				Total CFDA 97.044:	-	422,765	422,765	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2016-FH-00152	-	117,777	117,777	-	4

The accompanying notes are an integral part of this schedule.

Pierce County Fire Protection District No 3
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures				Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2018-FH- 00538	-	327,565	327,565	-
							4
	Total CFDA 97.083:				445,342	445,342	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Department of Emergency Management)	Preparing for Emerging Threats and Hazards	97.133	EMW-2016-GR- 00145-S01	994	-	994	-
							4
	Total Federal Awards Expended:	576,417	930,344	1,506,761			

The accompanying notes are an integral part of this schedule.



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PIERCE COUNTY FIRE DISTRICT NO. 3

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the cash basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Noncash Awards – Equipment

The District received equipment and supplies that were purchased with federal Homeland Security funds by the State of Washington. The amount reported on the Schedule is the value of the property on the date it was received by the District and priced by market value.

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 5 – Other Notes

The District incurred eligible COVID-19 related expenses in 2020. Their PWs in the amount of \$317,347 were approved for payment through the COVID-19 Disaster Relief Fund in early 2021. This amount will be included on the District's 2021 SEFA.



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CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

West Pierce Fire and Rescue January 1, 2020 through December 31, 2020

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number:	Finding caption:
2020-001	The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.
Name, address, and telephone of District contact person: Koree Wick, Director of Administrative Services and Finance 3631 Drexler Drive W, University Place, WA 98466 (253) 564-1623	
Corrective action the auditee plans to take in response to the finding: <i>(If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence).</i> <i>The District has implemented further controls relative to verification of suspension and debarment of vendors. The District will now log into SAM prior to pulling the verification report. This will create the opportunity to save the verification within their SAM account. Further, the verification will be saved electronically within the District system, as well as printing a hard copy for the grant file itself.</i>	
Anticipated date to complete the corrective action: 11/18/2021	

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