



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Clallam County Fire Protection District No. 3

For the period January 1, 2020 through December 31, 2021

Published July 24, 2023

Report No. 1032802



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

July 24, 2023

Board of Commissioners
Clallam County Fire Protection District No. 3
Sequim, Washington

Report on Financial Statements

Please find attached our report on Clallam County Fire Protection District No. 3's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditor's Report on the Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	32

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*

Clallam County Fire Protection District No. 3 January 1, 2020 through December 31, 2021

Board of Commissioners
Clallam County Fire Protection District No. 3
Sequim, 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 Clallam County Fire Protection District No. 3, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated June 6, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

We noted certain other matters that we have reported to the management of the District in a separate letter dated July 18, 2023.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 6, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Clallam County Fire Protection District No. 3 January 1, 2020 through December 31, 2021

Board of Commissioners
Clallam County Fire Protection District No. 3
Sequim, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Clallam County Fire Protection District No. 3, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Clallam County Fire Protection District No. 3, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Clallam County Fire Protection District No. 3, as of December 31, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Matters of Emphasis

As discussed in Note 9 and Note 8 of the 2021 and 2020 financial statements, respectively, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 9 and Note 8 for fiscal year 2021 and 2020, respectively. Our opinion is not modified with respect to this matter.

As discussed in Note 6 to the financial statements, in fiscal year 2021, the District adopted new accounting guidance for the presentation and disclosure of other post-employment benefits (OPEB). Our opinion is not modified with respect to this matter.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

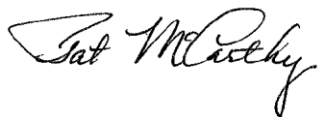
- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining,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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of the District's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

June 6, 2023

FINANCIAL SECTION

Clallam County Fire Protection District No. 3 January 1, 2020 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to the Financial Statements – 2021
Notes to the Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Liabilities – 2020

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

Beginning Cash and Investments

308	Beginning Cash and Investments	6,835,031
388 / 588	Net Adjustments	-

Revenues

310	Taxes	11,372,638
320	Licenses and Permits	-
330	Intergovernmental Revenues	425,981
340	Charges for Goods and Services	353,179
350	Fines and Penalties	-
360	Miscellaneous Revenues	76,300
Total Revenues:		12,228,098

Expenditures

510	General Government	-
520	Public Safety	9,489,344
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		9,489,344
Excess (Deficiency) Revenues over Expenditures:		2,738,754

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	1,582
Total Other Increases in Fund Resources:		1,582

Other Decreases in Fund Resources

594-595	Capital Expenditures	384,962
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	795
Total Other Decreases in Fund Resources:		385,757

Increase (Decrease) in Cash and Investments: 2,354,579

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	5,717,922
50891	Unassigned	3,471,687
Total Ending Cash and Investments		9,189,609

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

Beginning Cash and Investments

308	Beginning Cash and Investments	5,570,381
388 / 588	Net Adjustments	-

Revenues

310	Taxes	10,473,948
320	Licenses and Permits	-
330	Intergovernmental Revenues	190,498
340	Charges for Goods and Services	316,479
350	Fines and Penalties	-
360	Miscellaneous Revenues	108,801
Total Revenues:		11,089,726

Expenditures

510	General Government	-
520	Public Safety	9,446,402
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		9,446,402
Excess (Deficiency) Revenues over Expenditures:		1,643,324

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	3,481
Total Other Increases in Fund Resources:		3,481

Other Decreases in Fund Resources

594-595	Capital Expenditures	384,067
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	(1,920)
Total Other Decreases in Fund Resources:		382,147

Increase (Decrease) in Cash and Investments: 1,264,658

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	5,152,756
50891	Unassigned	1,682,275
Total Ending Cash and Investments		6,835,031

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

Note 1 - Summary of Significant Accounting Policies

Clallam County Fire Protection District No. 3 was incorporated in June 1948 and operates under the laws of the state of Washington applicable to Fire Protection Districts. Clallam County Fire Protection District No. 3 is a special purpose local government and provides fire protection, fire suppression, life safety and fire prevention education and emergency medical services including Basic Life Support (BLS) and Advanced Life Support (ALS) Services.

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

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

A. **Fund Accounting**

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

GOVERNMENTAL - **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.

B. **Basis of Accounting and Measurement Focus**

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

C. Cash and Investments

See Note 3, Deposits and Investments

D. Capital Assets

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

E. Compensated Absences

Sick leave may be accumulated up to 1040 hours for 40-hour-per-week employees and up to 1380 for 24-hour shift employees. Upon separation or retirement, employees receive payment for unused sick leave at a rate between 0 percent and 50 percent of their leave balance, depending on the circumstances of their separation.

Bargaining Unit Holiday may be accumulated up to 336 hours and is payable upon separation or retirement.

Bargaining Unit Comp time may be accumulated up to 480 hours and is payable upon separation or retirement.

Vacation Accruals differ among District employees based upon length of service. The maximum accrual rate is 30 hours per month and employees may accumulate, at the most, 24 months of their monthly accrual rate.

Payments for Compensated Absences are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, Long-Term Debt

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

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution by the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first. At December 31, 2021, the district has \$398,000 of committed funds that have been set aside to purchase a Tender in 2022.

Note 2 – Budget Compliance

The District adopts an annual appropriated budget for the General Fund and the budget constitutes the legal authority for expenditures at that level. The budget is appropriated at the department 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 General Fund, by Department were as follows:

General Fund Department	Final Appropriated Amounts	Actual Expenditures	Variance
Commissioners	\$ 116,095	\$ 55,627	\$ 60,468
Administration	1,188,557	1,066,083	122,474
Volunteer Programs	248,266	204,251	44,016
Fire Suppression	1,402,546	1,262,150	140,395
Prevention & Risk Reduction	313,215	195,127	118,089
EMS	6,078,507	5,867,200	211,308
HazMat	3,000	250	2,750
Emergency Management	25,000	1,610	23,390
TEMS	2,000	-	2,000
Wildland	15,800	13,592	2,208
Tech Rescue	7,200	2,158	5,042
COVID-19 Response	-	18,455	(18,455)
Facilities	757,951	506,404	251,547
Vehicles	532,895	297,232	235,663
Capital Expenditures	808,437	384,963	423,474
Total General Fund	\$ 11,499,470	\$ 9,875,101	\$ 1,624,369

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

Note 3 – Deposits and Investments

Investments are reported at amortized cost. Deposits and Investments by type at December 31, 2021 are as follows:

	District's Own Deposits	Deposits and Investments held by Clallam County as the custodian for the District	Total
Bank Deposits	\$ 5,100	\$ 22,519	\$ 27,619
Local Government Investment Pool	-	9,161,990	9,161,990
Total	\$ 5,100	\$ 9,184,509	\$ 9,189,609

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

Investments in the State Local Government Investment Pool

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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are mostly covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the District or its agent in the government's name.

Note 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 at the end of each month.

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

The District's General levy for the year 2021 was \$1.3457459368 per \$1,000 on an assessed valuation of \$6,028,910,180 for a total General levy of \$8,113,381.38.

The District's EMS levy for the year 2021 was \$.50 per \$1,000 on an assessed valuation of \$6,062,618,946 for a total EMS levy of \$3,031,309.47.

Note 5 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for the year ended December 31, 2021.

Liabilities reported in the 2021 Financial Report total \$1,864,552. This amount includes amounts for both pension and compensated absence liabilities and satisfies the recommended reporting from the Washington State Auditor's Office.

Note 6 – Other Post-Employment Benefits (OPEB)

During the year ended December 31, 2021, the District adopted guidance for the presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a postemployment benefit liability reported on the Schedule of Liabilities

The District is a participating employer in the HRA VEBA Plan which is funded health reimbursement arrangement for public employees in the Northwest. The HRA VEBA Plan is administered by the Spokane, WA branch of Gallagher Benefit Services, Inc. and allows employer and employee contributions as determined by collective bargaining and contractual employee agreements. Retiring members of IAFF Local #2933, who provide the District written notice of their intent to retire, at least 6 months in advance of their service retirement date, are eligible to receive a lump sum one-time allowance equivalent to the Employee Only cost of Medical, Dental and Life Insurance of the current plan being utilized x 36. This is a defined benefit plan, and the funds are deposited in the employee's HRA VEBA account on the effective date of the retirement to be used to reimburse the cost of qualified medical expenses including health insurance premiums as the retiree chooses. The District has no further obligation for the benefit once the funds are transferred to HRA VEBA. This benefit may be amended by mutual contract ratification between the District and IAFF Local #2933. For the year ended December 31, 2021, there were 40 active members eligible to receive the benefit and the total OPEB Liability is estimated to be \$939,268. In 2021 the District contributed \$24,718 to this plan for one active member who retired.

Note 7 – Pension Plans

State Sponsored Pension Plans

All District full-time and qualifying part-time employees participate in LEOFF Plan 2 or PERS Plan 2 administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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

At June 30, 2021 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, is as follows:

	Allocation %	Liability (Asset)
PERS 1	0.004189%	\$51,158
PERS 2/3	0.005390%	(\$536,931)
LEOFF 2	0.136608%	(\$7,934,758)
VFFRPF	0.200490%	(\$44,118)

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 8 – Risk Management

The District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool’s fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris’ program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a “claims made” coverage form. All other coverage is provided on an “occurrence” coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to

participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾
<hr/>				
(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible				
(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.				
(3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.				
 Property ⁽²⁾:				
Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
<hr/>				
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million	\$1,000 - \$250,000
(shared by Pool)				

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
			members)	
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0
Automobile Physical Damage⁽⁶⁾		\$25,000;		
	Per Occurrence	\$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000
Crime Blanket⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
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- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 9 – Covid-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

District Emergency responders continued to operate and respond as usual using enhanced PPE measures and equipment and the District invested additional time and expenditures responding to the pandemic. In 2021, the district received \$120,441 from FEMA as reimbursement for a substantial portion of these costs.

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

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

Note 1 - Summary of Significant Accounting Policies

Clallam County Fire Protection District No. 3 was incorporated in June 1948 and operates under the laws of the state of Washington applicable to Fire Protection Districts. Clallam County Fire Protection District No. 3 is a special purpose local government and provides fire protection, fire suppression, life safety and fire prevention education and emergency medical services including Basic Life Support (BLS) and Advanced Life Support (ALS) Services.

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

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

A. **Fund Accounting**

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

GOVERNMENTAL - **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.

B. **Basis of Accounting and Measurement Focus**

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

C. Cash and Investments

See Note 3, Deposits and Investments

D. Capital Assets

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

E. Compensated Absences

Sick leave may be accumulated up to 1040 hours for 40-hour-per-week employees and up to 1380 for 24-hour shift employees. Upon separation or retirement, employees receive payment for unused sick leave at a rate between 25 to 50 percent of their leave balance, depending on the circumstances of their separation.

Bargaining Unit Holiday may be accumulated up to 336 hours and is payable upon separation or retirement.

Bargaining Unit Comp time may be accumulated up to 480 hours and is payable upon separation or retirement.

Vacation Accruals differ among District employees based upon length of service. The maximum accrual rate is 30 hours per month and employees may accumulate, at the most, 24 months of their monthly accrual rate.

Payments for Compensated Absences are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, Long-Term Debt

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

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution by the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first. The district does not have any reserves that qualify as restricted or committed at the end of 2020.

Note 2 – Budget Compliance

The District adopts an annual appropriated budget for the General Fund and the budget constitutes the legal authority for expenditures at that level. The budget is appropriated at the department 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 General Fund, by Department were as follows:

General Fund Department	Final Appropriated Amounts	Actual Expenditures	Variance
Commissioners	\$ 39,356	\$ 32,911	\$ 6,444
Administration	1,034,595	954,852	79,743
Volunteer Programs	247,564	160,014	87,549
Fire Suppression	1,362,908	1,230,971	131,937
Prevention & Risk Reduction	318,883	253,985	64,898
EMS	6,090,201	5,650,976	439,224
HazMat	3,000	-	3,000
Emergency Management	25,000	3,760	21,240
TEMS	2,000	-	2,000
Wildland	16,400	12,078	4,322
Tech Rescue	8,400	4,322	4,078
COVID-19 Response	-	91,609	(91,609)
Facilities	593,529	575,757	17,771
Vehicles	530,892	473,254	57,638
Capital Expenditures	673,586	384,066	289,520
Total General Fund	\$ 10,946,313	\$ 9,828,556	\$ 1,117,756

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

Note 3 – Deposits and Investments

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

	District's Own Deposits	Deposits and Investments held by Clallam County as the custodian for the District	Total
Bank Deposits	\$ 5,100	\$ 2,870,168	\$ 2,875,268
Local Government Investment Pool	-	3,959,763	3,959,763
Total	\$ 5,100	\$ 6,829,931	\$ 6,835,031

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

Investments in the State Local Government Investment Pool

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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are mostly covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the District or its agent in the government's name.

Note 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 at the end of each month.

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

The District's regular levy for the year 2020 was \$1.4256246002 per \$1,000 on an assessed valuation of \$5,559,045,291 for a total regular levy of \$7,925,111.72.

The District's EMS levy for the year 2020 was \$.4257109331 per \$1,000 on an assessed valuation of \$5,597,165,535 for a total EMS levy of \$2,382,774.56.

Note 5 – Long-Term Debt

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

Liabilities reported in the 2020 Financial Report totaled \$1,843,098 and includes amounts for both pension and compensated absence liabilities and satisfies the recommended reporting from the Washington State Auditor's Office.

Note 6 – Pension Plans

State Sponsored Pension Plans

All District full-time and qualifying part-time employees participate in LEOFF Plan 2 or PERS Plan 2 administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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

At June 30, 2020 (the measurement date of the plans), the District’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, is as follows:

	Allocation %	Liability (Asset)
PERS 1	0.004962%	\$175,185
PERS 2/3	0.006428%	\$82,210
LEOFF 2	0.129416%	(\$2,639,897)
VFFRPF	0.432432%	(\$152,389)

LEOFF Plan 2

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

Note 7 – Risk Management

Clallam County FPD #3 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

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 months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Several District personnel were significantly involved in standing up the Sequim Emergency Coordination Center in order to respond to the community needs during the pandemic outbreak. District Emergency responders continued to operate and respond as usual using increased PPE measures and equipment. The District invested additional time and expenditures responding to the pandemic and reimbursement for a substantial portion of these costs is being sought from FEMA.

As of the date of the financial statements, District offices and stations remain closed to public and Board of

Commissioner meetings continue to be held via a virtual platform. 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.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Employee Benefit Accounts		1,585,703	227,691	-	1,813,394
264.30	Pension Liability		257,395	-	206,237	51,158
264.40	HRA VEBA Defined Benefit Plan		-	963,986	24,718	939,268
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,843,098	1,191,677	230,955	2,803,820
	Total Liabilities:		1,843,098	1,191,677	230,955	2,803,820

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Employee Benefit Accounts		1,561,641	24,062	-	1,585,703
264.30	Pension Liability - PERS		287,361	11,496	41,462	257,395
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,849,002	35,558	41,462	1,843,098
Total Liabilities:			1,849,002	35,558	41,462	1,843,098

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.

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