



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Snohomish County Fire Protection District No. 21

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

Published March 16, 2023

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

March 16, 2023

Board of Commissioners
Snohomish County Fire Protection District No. 21
Arlington, Washington

Report on Financial Statements

Please find attached our report on Snohomish County Fire Protection District No. 21's financial statements.

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

Sincerely,

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

Pat McCarthy, State Auditor

Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Snohomish County Fire Protection District No. 21 January 1, 2021 through December 31, 2021

Board of Commissioners
Snohomish County Fire Protection District No. 21
Arlington, 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 Snohomish County Fire Protection District No. 21, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 8, 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 audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 8, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Snohomish County Fire Protection District No. 21 January 1, 2021 through December 31, 2021

Board of Commissioners
Snohomish County Fire Protection District No. 21
Arlington, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Snohomish County Fire Protection District No. 21, as of and for the year ended December 31, 2021, 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 Snohomish County Fire Protection District No. 21, and its changes in cash and investments, for the year ended December 31, 2021, 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 Snohomish County Fire Protection District No. 21, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is 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 March 8, 2023 on our consideration of the District's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

March 8, 2023

FINANCIAL SECTION

Snohomish County Fire Protection District No. 21 January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

Snohomish County Fire Protection District No. 21
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

| | | <u>Total for All Funds (Memo Only)</u> | <u>001 General Expense Fund</u> | <u>200 General Non-Voted Debt</u> | <u>301 Apparatus Reserve</u> |
|---|--------------------------------|--|-------------------------------------|---------------------------------------|----------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 1,800,612 | 1,121,565 | - | 679,047 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 2,384,243 | 2,384,243 | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 347,123 | 347,123 | - | - |
| 340 | Charges for Goods and Services | 148,021 | 148,021 | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 618 | 572 | - | 46 |
| Total Revenues: | | <u>2,880,005</u> | <u>2,879,959</u> | <u>-</u> | <u>46</u> |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | 3,629,976 | 3,629,689 | 285 | 2 |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | <u>3,629,976</u> | <u>3,629,689</u> | <u>285</u> | <u>2</u> |
| Excess (Deficiency) Revenues over Expenditures: | | <u>(749,971)</u> | <u>(749,730)</u> | <u>(285)</u> | <u>44</u> |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | 400,000 | - | 400,000 | - |
| 397 | Transfers-In | 447,912 | 395,000 | 281 | 52,631 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | <u>847,912</u> | <u>395,000</u> | <u>400,281</u> | <u>52,631</u> |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 247,555 | 245,222 | - | 2,333 |
| 591-593, 599 | Debt Service | 59,954 | 1,791 | - | 58,163 |
| 597 | Transfers-Out | 447,912 | 52,912 | 395,000 | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | <u>755,421</u> | <u>299,925</u> | <u>395,000</u> | <u>60,496</u> |
| Increase (Decrease) in Cash and Investments: | | <u>(657,480)</u> | <u>(654,655)</u> | <u>4,996</u> | <u>(7,821)</u> |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 4,996 | - | 4,996 | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 671,226 | - | - | 671,226 |
| 50891 | Unassigned | 466,910 | 466,910 | - | - |
| Total Ending Cash and Investments | | <u>1,143,132</u> | <u>466,910</u> | <u>4,996</u> | <u>671,226</u> |

The accompanying notes are an integral part of this statement.

Snohomish County Fire Protection District 21

For the Year Ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The Snohomish County Fire Protection District 21 (District 21) is a special purpose government that was incorporated on October 25, 1960 and provides fire suppression, emergency medical services, public education and fire prevention services. District 21 is supported primarily through property taxes. District 21 operates under Chapter 52 of the Revised Code of Washington (RCW) and other laws of the state of Washington applicable to fire districts and fire protection authorities.

District 21 is governed by a Board of Fire Commissioners, consisting of three elected members that serve for a period of six years. The Board of Fire Commissioners has the statutory authority to adopt and modify the budget, levy taxes, control all assets, sign contracts, and authorize borrowing or debt issuances. The Board of Fire Commissioners appoints the Fire Chief to manage the day-to-day operations of District 21. The Fire Chief is accountable to the Board of Fire Commissioners for the activities being managed.

District 21 is the primary, special purpose government responsible for fire protection and BLS services within its service areas. As a result, all significant activities have been included in the financial statements. District 21's financial statements represent those of a stand-alone government, as there are no component units.

District 21 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (See Note 5-Component Unit(s), Joint Ventures, and Related Parties).
- 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of District 21 are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. District 21'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 FUND TYPES:

General Fund

This fund is the primary operating fund of District 21. It accounts for all financial resources except those required or elected to be accounted for in another fund. For reporting purposes, District 21 has consolidated its Working Capital Operating Reserve Fund, Emergency Fund and Investments into the General Fund.

Debt Service Fund

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

Capital Projects Funds

This fund is used to account for financial resources which may be restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. District 21 separates the equipment and facilities fund into two separate funds. Fund 301 is the Apparatus Reserve; this fund is used for apparatus replacement or large repairs as needed in the future. Fund 302 is the Facilities Reserve; this fund is used for any capital expenditures needed for new facility costs or large repairs.

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

(See Note 4, Deposits and Investments).

D. Capital Assets

Capital assets are assets with an individual cost of more than \$5,000 and estimated useful life in excess of one year. The capital assets of District 21 are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation pay may be accumulated up to 240 and is payable upon separation or retirement. At December 31, 2021 District 21’s estimated liability for vacation pay was \$43,291. Payments are recognized as expenditures when paid.

Upon separation or retirement employees receive compensation for up to 500 for unused sick leave. At December 31, 2021 District 21’s estimated liability for sick leave pay was \$108,012. Payments are recognized as expenditures when paid.

F. Long-Term Debt –(Refer to Note 6, Long Term Debt Service).

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, District 21 intends to use the most restricted resources first.

Reservations of Ending Cash and Investments consist of the following at December 31, 2021:

| Fund Name | Amount | Restriction Type |
|------------------------------------|---------------------|------------------|
| 001 General Fund-Operating | \$ 20,024 | None |
| 002 General Fund-Emergency Reserve | \$ 407,668 | None |
| 003 General Fund-Capital Reserve | \$ 39,216 | None |
| 200 General Non-Voted Debt | \$ 4,999 | Restricted |
| 301 Apparatus Reserve | \$ 444,291 | Assigned |
| 302 Facilities Reserve | \$ 226,935 | Assigned |
| Totals | \$ 1,143,132 | |

Note 2 - Budget Compliance

District 21 adopts annual appropriated budgets for all governmental and capital projects funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. Annual appropriations for these funds lapse at the fiscal year end.

The appropriated and actual expenditures for the District’s 2021 operating budget are as follow:

| Fund/Department | Final Appropriated Amounts | Actual Expenses | Variance | Explanation of Variances |
|----------------------------|----------------------------|------------------|-----------------|---|
| 001 All General Funds | 3,991,000 | 3,929,614 | 61,386 | New Station Costs Higher than anticipated |
| 200 General Non-Voted Debt | 300,000 | 395,285 | (95,285) | Transferred more funds to GF for new station than anticipated |
| 301 Apparatus Reserve | 55,314 | 58,165 | (2,851) | Debt service principal higher than anticipated |
| 302 Facilities Reserve | \$ - | \$ 2,333 | \$ (2,333) | Station development costs mistakenly charged to this fund |
| Totals | 4,346,314 | 4,385,397 | (39,083) | |

RCW 52.16.070 provides that District 21 shall not expend funds in any year that exceed its available resources. For the 2021 calendar year, total expenditures did not exceed available resources.

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

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of 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.

As a first responder agency, the impact of the virus is substantial to our operations. A great number of new protocols and standard operating procedures were created and implemented. Some of these procedures addressed responding to calls, utilization of proper PPE, and the handling of suspected infected patients.

There is also the financial impact of this emergency. Some of our Firefighters/EMTs were potentially exposed to infected patients. The exposed employees were then mandated to take a fourteen-day quarantine to determine if they developed any symptoms. While no employees tested positive there was a number of overtime shifts required to cover those quarantined employee's shifts.

There is also a great deal of expense related to the purchasing and acquiring all the necessary PPE equipment and decontamination equipment. The total of these figures is not yet known but while reach into the tens of thousands of dollars. Based upon the different grants and financial assistance being offered from FEMA and other governmental agencies, the Authority expects to be reimbursed anywhere from 75% to 100% of the associated costs.

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 4 - Deposits and Investments

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

| Type of Deposit or Investment | District's own deposits & investments | Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations. | Total |
|----------------------------------|--|---|--------------|
| Bank Deposits | 809,125 | | 809,125 |
| Local Government Investment Pool | 334,007 | | 334,007 |
| <i>Totals</i> | \$ 1,143,132 | \$ - | \$ 1,143,132 |

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

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

Investments in the State Local Government Investment Pool (LGIP)

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

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 (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 5 – Component Unit(s), Joint Ventures and Related Parties

The Authority and other Police and Fire entities jointly operate SNOHOMISH COUNTY 911. SNOHOMISH COUNTY 911, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOHOMISH COUNTY 911 is with a 16-member Board of

Directors which is specified in the Interlocal Agreement. SNOHOMISH COUNTY 911 takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties of this Agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five (5) years bears to the total of all then remaining Principals' User Fees paid during such five-year period. Before deducting the payment of all costs, expenses and charges validly incurred, the Authority's share was \$91,997 on December 31, 2021.

Snohomish County 911's 2021 operating budget was \$24,429,390, operating revenues received were \$25,450,056 and total operating expenditures were \$23,395,721. Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

Note 6 – Long Term Debt

The accompanying Schedule of Liabilities (09) provides additional information regarding the outstanding debt and liabilities of District 21 and summarizes District 21's debt transactions for year ended December 31, 2021.

Currently, District 21 has outstanding debt of a copier lease which was executed on May 2019 for sixty months at \$119 per month plus taxes.

In 2020 the District issued non-voted general obligation debt of \$510,000 for the purchase of a new fire engine. The terms of the debt of require payment of principal and interest for 10 years.

In 2021, the District took a draw of \$400,000 against a future non-voted general obligation issue for the development and construction of a new fire station in the south portion of the district's service area. This draw is not included in the following chart as final amount of debt issued as well as interest rates and terms have not been determined at this time.

| Year | Principal | Interest | Total Debt Service |
|---------------|------------|-----------|--------------------|
| 2021 | 50,000 | 8,163 | 58,163 |
| 2022 | 50,000 | 6,762 | 56,762 |
| 2023 | 50,000 | 6,027 | 56,027 |
| 2024 | 50,000 | 5,292 | 55,292 |
| 2025 | 50,000 | 4,557 | 54,557 |
| 2026-2030 | 260,000 | 16,298 | 276,298 |
| <i>Totals</i> | \$ 510,000 | \$ 47,099 | \$ 557,099 |

Note 7 – Other Disclosures

Construction Commitment

The District has an active development and construction project of a new fire station as of December 31, 2021. The project consists of \$900,000 towards architecture and engineering costs for the Station construction as well as the 2500' waterline that was required by the City of Arlington for this fire station project. We are projecting total costs to be around \$8 million for which \$5.5 million will be non-voted councilmanic bonds. The total cost for the project will be just shy of \$10 million once waterline, station construction, soft costs and tax are completed and paid. As of 1/1/2022, District 21 has abandoned the plan to construct a new fire station due to delays in the architectural and planning process and rise in construction costs. District 21 plans to purchase a property which has existing structures that would be suitable for Station 50. The costs for this project would be substantially lower than planned and estimated around 3.1 million.

Note 8 - Pension Plans

A. State Sponsored Pension Plans

District 21's full-time employees participate in the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 administered by the Washington State Department of Retirement Systems, 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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

District 21 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), District 21's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

| Plan Type | Employer Contributions | Allocation Percentage | Plan Liability / Asset | NPL | NPA |
|-------------|------------------------|-----------------------|------------------------|-----------|----------------|
| PERS 1 | | | 1,221,234,000 | - | |
| PERS 1 UAAL | \$ 19,339 | 0.00259600% | 1,221,234,000 | 31,703 | |
| PERS 2/3 | \$ 31,627 | 0.00334700% | (9,961,609,000) | - | (333,415) |
| LEOFF 2 | \$ 31,041 | 0.01557200% | (5,808,414,000) | | (904,486) |
| VFFRPF | \$ 330 | 0.170000% | 22,005,000 | | (37,331) |
| | | <i>Totals</i> | | \$ 31,703 | \$ (1,275,232) |

District 21 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.

District 21 also participates in the PERS Plan 2/3. 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 2/3 in accordance with the recommendations of the Pension Funding Council and the PERS Plan Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Defined Contribution Pension Plans

The District participates in two deferred compensation programs. Full-time employees of the District participate in a program run by the State of Washington Retirement System. The Fire Chief participates into a similar program operated by Nationwide Financial Services. Both the District and the Employee contribute a minimum of 6.0% monthly from payroll deductions and employees are allowed to contribute more up to the federal maximums. These funds are electronically sent to the State and are then invested per the employee’s direction. Funds are taken pre-tax from gross pay and are designed to be used as part of the employee’s income strategy after retirement. In 2021, the District contributed \$31,744 into the State program and \$8,944 into the Nationwide program.

Note 9 - Property Tax

The Snohomish County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed as they are received.

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

In 2021, District 21 levied the following property taxes:

| Levy Type | Per \$1000 | Assessed Valuation | Amount |
|-------------------------|--------------------|--------------------|---------------------|
| Regular Fire Operations | 1.195621689 | 1,428,878,487 | \$ 1,708,398 |
| EMS Permanent Levy | 0.483830369 | 1,473,284,887 | \$ 712,820 |
| Total | 1.679452058 | | \$ 2,421,218 |

As of December 31, 2021, the outstanding property taxes receivable for the General Fund were \$61,978.

Note 10 – Risk Management

Volunteer Fireman’s Insurance Services (VFIS)

The District manages its risk by maintaining insurance coverage for damages and losses to buildings, business personal property, apparatus, portable equipment or criminal acts. Coverage for general, management, and automotive related liability is included. The district is responsible for deductibles that are paid on claims submitted ranging typically from \$500 to \$1,000. The insurance coverage is purchased through Volunteer Firemen’s Insurance Services, Inc. (VFIS). The district’s local broker for VFIS is MacIlvennie Associates, Inc.

Health and welfare insurance are provided by an insurance company trust which provides traditional medical and dental policies for the employees.

The only area of risk that the District self-insures is for unemployment compensation. While we participate in the Washington State Employment Security Department (ESD) unemployment insurance, we do not pay premiums but rather reimburse ESD when claims are approved and paid by ESD.

The employees of the District are covered for workers compensation through the Washington State Labor & Industries program. The District pays premiums to the state based upon prior years claims experience ratings and industry specific rates.

The District does participate in funding of the Washington State Paid Family Medical Leave (PFML) program. The employees and the District both pay into the program and are the employees are eligible to participate in the PFML program.

**Snohomish County Fire Protection District No. 21
Schedule of Liabilities
For the Year Ended December 31, 2021**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|-------------------------------|-----------|----------------------|----------------|----------------|------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.11 | Fire Truck Purchase | 12/1/2030 | 510,000 | - | 50,000 | 460,000 |
| 263.51 | Copier Lease | | 3,761 | - | 1,791 | 1,970 |
| 251.11 | Station #50 Construction | 12/1/2043 | - | 400,000 | - | 400,000 |
| Total General Obligation Debt/Liabilities: | | | 513,761 | 400,000 | 51,791 | 861,970 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 264.30 | Pension Liabilities | | 142,562 | - | 110,859 | 31,703 |
| 259.12 | Compensated Balances-Vacation | | 12,550 | 30,741 | - | 43,291 |
| 259.12 | Compensated Balances-Sick | | 47,050 | 60,962 | - | 108,012 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 202,162 | 91,703 | 110,859 | 183,006 |
| Total Liabilities: | | | 715,923 | 491,703 | 162,650 | 1,044,976 |

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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