



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements Audit Report**

# **Marysville Fire District**

**Snohomish County**

**For the period January 1, 2012 through December 31, 2013**

**Published October 23, 2014**

**Report No. 1012804**





## **Washington State Auditor Troy Kelley**

October 23, 2014

Board of Directors  
Marysville Fire District  
Marysville, Washington

### **Report on Financial Statements**

Please find attached our report on the Marysville Fire District's financial statements.

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

Sincerely,

Signature Here (Please do not remove this line)

TROY KELLEY

STATE AUDITOR

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# **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 *Government Auditing Standards***

**Marysville Fire District  
Snohomish County  
January 1, 2012 through December 31, 2013**

Board of Directors  
Marysville Fire District  
Marysville, 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 the Marysville Fire District, Snohomish County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 23, 2014.

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 or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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

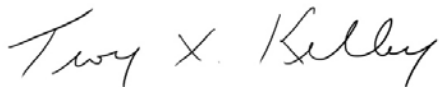
## ***COMPLIANCE AND OTHER MATTERS***

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

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

## ***PURPOSE OF THIS REPORT***

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



**TROY KELLEY**  
STATE AUDITOR

September 23, 2014

# **Independent Auditor's Report on Financial Statements**

## **Marysville Fire District Snohomish County January 1, 2012 through December 31, 2013**

Board of Directors  
Marysville Fire District  
Marysville, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the Marysville Fire District, Snohomish County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 9.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)***

As described in Note 1, the Marysville Fire District has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Marysville Fire District, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

### ***Basis for Adverse Opinion on U.S. GAAP***

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

### ***Adverse Opinion on U.S. GAAP***

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Marysville Fire District, as of December 31, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

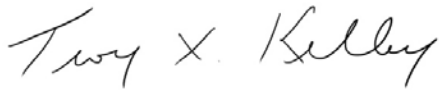
#### ***Supplementary and Other Information***

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

September 23, 2014



## **Financial Section**

**Marysville Fire District  
Snohomish County  
January 1, 2012 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fund Resources and Uses Arising from Cash Transactions – 2012  
Notes to Financial Statements – 2013  
Notes to Financial Statements – 2012

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Liabilities – 2012

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense	201 Debt Service	301 Capital Projects
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	16,403,450	14,709,523	0	1,693,927
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	299,407	299,407	0	0
340	Charges for Goods and Services	13,842,121	13,828,411	0	13,711
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	149,631	137,927	0	11,703
Total Operating Revenues:		14,291,159	14,265,745		25,414
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	13,965,969	13,965,969	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		13,965,969	13,965,969		
Net Operating Increase (Decrease):		325,190	299,776	0	25,414
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	2,801	2,801	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	329,063	0	129,063	200,000
Total Nonoperating Revenues:		331,863	2,801	129,063	200,000
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	1,192	1,192	0	0
591-593	Debt Service	129,063	0	129,063	0
594-595	Capital Expenditures	15,501	15,501	0	0
597	Transfers-Out	329,063	200,000	0	129,063
Total Nonoperating Expenditures:		474,818	216,693	129,063	129,063
Increase (Decrease) in Cash and Investments		182,236	85,884	0	96,352
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	16,585,686	14,795,407	0	1,790,278

The accompanying notes are an integral part of this Statement.

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 Current Expense	201 Debt Service	301 Capital Projects
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	14,705,236	13,103,612	0	1,601,624
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	13,163,262	13,163,262	0	0
340	Charges for Goods and Services	1,574,101	1,558,822	0	15,279
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	174,868	160,281	0	14,588
Total Operating Revenues:		14,912,231	14,882,365		29,867
Operating Expenditures					
510	General Government	99,135	99,135	0	0
520	Public Safety	12,965,830	12,965,830	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		13,064,965	13,064,965		
Net Operating Increase (Decrease):		1,847,266	1,817,400	0	29,867
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	17,982	17,982	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	327,663	0	127,663	200,000
Total Nonoperating Revenues:		345,644	17,982	127,663	200,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	2,462	2,462	0	0
591-593	Debt Service	127,663	0	127,663	0
594-595	Capital Expenditures	36,909	27,008	0	9,902
597	Transfers-Out	327,663	200,000	0	127,663
Total Nonoperating Expenditures:		494,697	229,470	127,663	137,564
Increase (Decrease) in Cash and Investments		1,698,215	1,605,912	0	92,303
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	16,403,450	14,709,523	0	1,693,927

The accompanying notes are an integral part of this Statement.

Notes to Financial Statements  
Marysville Fire District  
Period Ending December 31, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Marysville Fire District is an interlocal agency formed through a contractual agreement between Snohomish County Fire District 12 and the City of Marysville that provides fire protection and emergency medical services to the general public and is supported primarily through intergovernmental service revenues. The interlocal agency was ratified on January 1, 1992, and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

**A. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the District:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Fund

This fund accounts for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Project Funds

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects.

**B. Basis of Accounting**

Marysville Fire District reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the *Cash Basis Budgeting Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is an other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid. As allowed by the Snohomish County Treasurer, the District utilizes a 20-day open period to satisfy obligations incurred during the previous reporting period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

**C. Cash**

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of fund resources and uses arising from cash transactions as cash and investments.

**D. Deposits**

The District's deposits and certificates of deposit are covered by The Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

**E. Capital Assets**

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

**F. Compensated Absences**

Vacation pay may be accumulated up to 500 hours and is payable upon separation or retirement. At December 31, 2013, the District's estimated liability for vacation pay was \$1,561,785.

Sick leave may accumulate up to 1040 hours for 40-hour per week employees, and 1440 hours for 24-hour shift employees. At retirement or separation from service, each employee with ten or more years of fulltime service with the District shall be entitled to have his/her accumulated and unused sick leave cashed out at his/her current rate of pay in accordance with the schedule below:

<u>Years of Service</u>	<u>Cash Out</u>
10-19 years	15%
20-25 years	20%
25+ years	30%

Exception: (1) Any employee who passes away shall qualify for sick leave cash out at thirty percent (30%) of the total sick leave bank accumulated regardless of years of service and the said funds shall be distributed to the employee's beneficiary; (2) Employees that are terminated for cause shall not be entitled to the sick leave cash out benefit.

At December 31, 2013, the District's estimated liability for sick leave pay was \$ 496,104.

**NOTE 2 – BUDGETS**

The Marysville Fire District adopts annual appropriated budgets for Current Expense 001, Enterprise 002, Debt Service 201, Reserve/Capital 301, and Apparatus Replacement 302 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the end of the District's 20-day open period after the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense 001	\$14,969,380	\$14,182,662	\$786,718
Enterprise 002	\$15,000	\$15,000	\$0
Debt Service 201	\$129,063	\$129,063	\$0
Reserve/Capital 301	\$129,063	\$129,063	\$0
Apparatus Replacement 302	\$0	\$0	\$0

### **NOTE 3 – PROPERTY TAXES**

Marysville Fire District does not have the statutory authority to levy or collect property taxes. However, the intergovernmental service revenues which fund the District are derived from property taxes collected by the City of Marysville and Snohomish County Fire District No. 12.

### **NOTE 4 – INVESTMENTS**

The Marysville Fire District investments are held by the Snohomish County Treasurer as its agent in the District's name. Investments by type at December 31, 2013, were as follows:

<u>Type of Investment</u>	<u>Balance</u>
State Pool / MFD	\$ 658,501
County Pool / MFD	\$ 15,870,000
Total	<u>\$ 16,528,501</u>

### **NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principle and interest, are as follows:

	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2013	<u>\$129,063</u>	<u></u>	<u></u>	<u>\$129,063</u>
TOTALS	<u>\$129,063</u>	<u></u>	<u></u>	<u>\$129,063</u>

## **NOTE 6 – PENSION PLANS**

Substantially all of the Marysville Fire District's full-time and qualifying part-time employees participate in the LEOFF I, LEOFF II, PERS II, or PERS III plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

## **NOTE 7 - OTHER DISCLOSURES**

### **MARYSVILLE FIRE DISTRICT INTERLOCAL AGREEMENT (JOINT COOPERATIVE)**

Effective January 1, 1992, Snohomish County Fire District 12 entered into an interlocal agreement with the City of Marysville to create the Marysville Fire District, an interlocal agency which operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. Marysville Fire District is governed by a six member Board of Directors consisting of three Fire District 12 Commissioners and three appointed City of Marysville Council members. All property taxes levied by Fire District 12 are disbursed to Marysville Fire District in equal monthly installments. Financial contribution by the City of Marysville is an amount equal to the Regular and EMS Levy rates for property taxes assessed by Fire District 12 multiplied by the total assessed value of taxable properties located within the City limits, including new construction and utilities, calculated on the same basis as Fire District 12. This contribution is paid to Marysville Fire District in equal monthly installments. Financial contribution for year ended December 31, 2013 is as follows:

<u>Agency</u>	<u>Contribution</u>
Snohomish County Fire District 12	\$ 2,827,492
City of Marysville	\$ 8,953,050
Total	<u>\$ 11,780,542</u>

### **ADDITIONAL BANK ACCOUNTS**

- **Deposit In Transit Account**

The District holds a Bank of America checking account to facilitate timely deposits in accordance with RCW 43.09.240. All deposits into this account are transferred to the Snohomish County Treasurer within 24 hours of the deposit (or the next business day for holidays and weekends) and appropriated into the respective District funds. A balance of approximately \$300 is maintained to accommodate account fees and supply charges. The reconciled balance of this account as of December 31, 2013, is \$166. This amount has been accounted for in Fund 001.

- Petty Cash and Travel Accounts

The District holds two separate Union Bank checking accounts for Petty Cash and Travel purposes with a combined maximum balance of \$4,000. The reconciled balance of both accounts as of December 31, 2013, is \$3,797. This amount has been accounted for in Fund 001.

- Ambulance Billing Account

The District holds a Bank of America checking account for the weekly deposit of ambulance billing revenues collected by our contracted medical billing agency, Systems Design West, LLC. This agency is only granted depository authority to the above noted account. Each month the District withdraws all funds in excess of \$3,600 and deposits them into Fund 001. The reconciled balance of this account as of December 31, 2013, is \$52,359. This amount has been accounted for in Fund 001.

#### OPEB

The Marysville Fire District has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include insurance premiums and uninsured claim liabilities for medical, dental, vision, and long term (nursing) care. Three (3) retirees received benefits during the year and \$57,904 was paid out for those benefits during the year ended December 31, 2013. Also included in that amount is the long term care insurance premium for one (1) active LEOFF 1 member.

#### BARS ACCOUNT CODE RESTRUCTURE

Applicable beginning for the 2013 reporting period, BARS account codes were restructured as prescribed by the Washington State Auditors Office. As such, intergovernmental service revenues previously reported under BARS major resource classification 33X are now reported under BARS major resource classification 34X. Additionally BARS major expenditure classification 51X was removed for fire district use and corresponding expenditures were reassigned to the BARS major expenditure classification 52X.

#### JOINT VENTURE

The District, in conjunction with other governmental entities, participates in one joint venture. Using the same criteria applied to the other organizations to determine the reporting entity, this joint venture is not included in the District's annual financial statements.

The **Snohomish County Police Staff and Auxiliary Service Center (SNOPAC)** is a special purpose governmental unit funded by local governments through an Interlocal Agreement with various municipal governments. The primary purpose is to facilitate 911 calls, and perform emergency dispatch services for local governmental agencies including police, fire and medical aid. SNOPAC operates under the laws of the State of Washington Chapter RCW 39.34. Control of the entity, by participating governmental entities, is by an eleven (11) member Board of Directors. The District's annual membership contribution for the year ended December 31, 2013 was approximately \$540,964.



Notes to Financial Statements  
Marysville Fire District  
Period Ending December 31, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

**c. Cash**

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

**d. Deposits**

The District's deposits and certificates of deposit are covered by The Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

**e. Capital Assets**

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

**f. Compensated Absences**

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Sick leave may accumulate up to 1040 hours for 40-hour per week employees, and 1440 hours for 24-hour shift employees. At retirement or separation from service, each employee with ten or more years of fulltime service with the District shall be entitled to have his/her accumulated and unused sick leave cashed out at his/her current rate of pay in accordance with the schedule below:

<u>Years of Service</u>	<u>Cash Out</u>
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20-25 years	20%
25+ years	30%

Exception: (1) Any employee who passes away shall qualify for sick leave cash out at thirty percent (30%) of the total sick leave bank accumulated regardless of years of service and the said funds shall be distributed to the employee's beneficiary; (2) Employees that are terminated for cause shall not be entitled to the sick leave cash out benefit.

At December 31, 2012, the District's estimated liability for sick leave pay was \$ 441,681.

## **NOTE 2 – BUDGETS**

The Marysville Fire District adopts annual appropriated budgets for Current Expense 001, Enterprise 002, Debt Service 201, Reserve/Capital 301, Apparatus Replacement 302 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the end of the District's 20-day open period after the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense 001	\$13,954,606	\$13,294,203	\$660,403
Enterprise 002	\$1,670	\$159	\$1,511
Debt Service 201	\$127,663	\$127,663	\$0
Reserve/Capital 301	\$139,663	\$137,564	\$2,099
Apparatus Replacement 302	\$0	\$0	\$0

## **NOTE 3 – PROPERTY TAXES**

Marysville Fire District does not have the statutory authority to levy or collect property taxes. However, the intergovernmental service revenues which fund the District are derived from property taxes collected by the City of Marysville and Snohomish County Fire District No. 12.

## **NOTE 4 – INVESTMENTS**

The Marysville Fire District investments are held by the Snohomish County Treasurer as its agent in the District's name. Investments by type at December 31, 2012, were as follows:

<u>Type of Investment</u>	<u>Balance</u>
State Pool / MFD	\$ 1,510,890
County Pool / MFD	\$ 14,870,000
Total	<u>\$ 16,380,890</u>

## **NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2012.

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principle and interest, are as follows:

	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2012	\$127,663			\$127,663
2013	\$129,063			\$129,063
TOTALS	\$256,726			\$256,726

#### **NOTE 6 – PENSION PLANS**

Substantially all of the Marysville Fire District's full-time and qualifying part-time employees participate in the LEOFF I, LEOFF II, PERS II, or PERS III plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

#### **NOTE 7 - OTHER DISCLOSURES**

##### **MARYSVILLE FIRE DISTRICT INTERLOCAL AGREEMENT (JOINT COOPERATIVE)**

Effective January 1, 1992, Snohomish County Fire District 12 entered into an interlocal agreement with the City of Marysville to create the Marysville Fire District, an interlocal agency which operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. Marysville Fire District is governed by a six member Board of Directors consisting of three Fire District 12 Commissioners and three appointed City of Marysville Council members. All property taxes levied by Fire District 12 are disbursed to Marysville Fire District in equal monthly installments. Financial contribution by the City of Marysville is an amount equal to the Regular and EMS Levy rates for property taxes assessed by Fire District 12 multiplied by the total assessed value of taxable properties located within the City limits, including new construction and utilities, calculated on the same basis as Fire District 12. This contribution is paid to Marysville Fire District in equal monthly installments.

Financial contribution for year ended December 31, 2012 is as follows:

<u>Agency</u>	<u>Contribution</u>
Snohomish County Fire District 12	\$ 3,006,377
City of Marysville	\$ 9,538,951
Total	<u>\$ 12,545,328</u>

#### ADDITIONAL BANK ACCOUNTS

- Deposit In Transit Account

The District holds a Bank of America checking account to facilitate timely deposits in accordance with RCW 43.09.240. All deposits into this account are transferred to the Snohomish County Treasurer within 24 hours of the deposit (or the next business day for holidays and weekends) and appropriated into the respective District funds. A balance of approximately \$300 is maintained to accommodate account fees and supply charges. The reconciled balance of this account as of December 31, 2012, is \$172. This amount has been accounted for in Fund 001.

- Petty Cash and Travel Accounts

The District holds two separate Union Bank checking accounts for Petty Cash and Travel purposes with a combined maximum balance of \$4,000. The reconciled balance of both accounts as of December 31, 2012, is \$3,787. This amount has been accounted for in Fund 001.

- Ambulance Billing Account

The District holds a Bank of America checking account for the weekly deposit of ambulance billing revenues collected by our contracted medical billing agency, Systems Design West, LLC. This agency is only granted depository authority to the above noted account. Each month the District withdraws all funds in excess of \$3,600 and deposits them into Fund 001. The reconciled balance of this account as of December 31, 2012, is \$3,600. This amount has been accounted for in Fund 001.

#### OPEB

The Marysville Fire District has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include insurance premiums and uninsured claim liabilities for medical, dental, vision, and long term (nursing) care. Three (3) retirees received benefits during the year and \$53,851 was paid out for those benefits during the year ended December 31, 2012. Also included in that amount is the long term care insurance premium for one (1) active LEOFF 1 member.

#### JOINT VENTURE

The District, in conjunction with other governmental entities, participates in one joint venture. Using the same criteria applied to the other organizations to determine the reporting entity, this joint venture is not included in the District's annual financial statements.

The **Snohomish County Police Staff and Auxiliary Service Center (SNOPAC)** is a special purpose governmental unit funded by local governments through an Interlocal Agreement with various municipal governments. The primary purpose is to facilitate 911 calls, and perform emergency dispatch services for local governmental agencies including police, fire and medical aid. SNOPAC operates under the laws of the State of Washington Chapter RCW 39.34. Control of the entity, by participating governmental entities, is by an eleven (11) member Board of Directors. The District's annual membership contribution for the year ended December 31, 2012 was approximately \$556,102.

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Schedule 09

**Marysville Fire District**  
Schedule of Liabilities  
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	259.11	Compensated Absences		1,901,627	156,262	0	2,057,889
	263.96	LOCAL Program Debt - Acquisition & Remodel of Administration Facility	12/1/2013	125,000	0	125,000	0
Total General Obligations:				2,026,627	156,262	125,000	2,057,889
Total Liabilities:				2,026,627	156,262	125,000	2,057,889

The accompanying notes to the financial statements are an integral part of this schedule

MCAG NO. 2583

Schedule 09

**Marysville Fire District**  
Schedule of Liabilities  
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	259.11	Compensated Absences		1,648,000	253,627	0	1,901,627
	263.96	LOCAL Program Debt - Acquisition & Remodel of Administrative Facility	12/1/2013	245,000	0	120,000	125,000
Total General Obligations:				1,893,000	253,627	120,000	2,026,627
Total Liabilities:				1,893,000	253,627	120,000	2,026,627

The accompanying notes to the financial statements are an integral part of this schedule

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>