



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

**Financial Statements Audit Report**  
**Snohomish County Fire Protection**  
**District No. 12**

**For the period January 1, 2016 through December 31, 2016**

**Published December 14, 2017**

**Report No. 1020368**





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

December 14, 2017

Board of Commissioners  
Snohomish County Fire Protection District No. 12  
Marysville, Washington

**Report on Financial Statements**

Please find attached our report on Snohomish County Fire Protection District No. 12's financial statements.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT 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. 12  
January 1, 2016 through December 31, 2016**

Board of Commissioners  
Snohomish County Fire Protection District No. 12  
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 Snohomish County Fire Protection District No. 12, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 6, 2017.

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 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 audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in dark ink and is positioned above the printed name.

Pat McCarthy

State Auditor

Olympia, WA

December 6, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Snohomish County Fire Protection District No. 12 January 1, 2016 through December 31, 2016**

Board of Commissioners  
Snohomish County Fire Protection District No. 12  
Marysville, Washington

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

We have audited the accompanying financial statements of Snohomish County Fire Protection District No. 12, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, Snohomish County Fire Protection District No. 12 has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Snohomish County Fire Protection District No. 12, for the year ended December 31, 2016, 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 Snohomish County Fire Protection District No. 12, as of December 31, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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 taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

December 6, 2017

## **FINANCIAL SECTION**

### **Snohomish County Fire Protection District No. 12 January 1, 2016 through December 31, 2016**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Notes to Financial Statements – 2016

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

Schedule of Liabilities – 2016

**Snohomish County Fire Protection District No. 12**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>101 Special Revenue</b>	<b>301 Capital</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	15,068,862	64,528	12,869,878	2,134,456
30880	Unreserved	1,922,923	1,922,923	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	2,736,735	2,736,735	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	56,476	887	55,589	-
340	Charges for Goods and Services	15,296,701	-	15,270,004	26,697
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	150,045	11,607	123,396	15,042
Total Revenues:		18,239,957	2,749,229	15,448,989	41,739
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	19,235,205	2,778,038	16,456,381	786
Total Expenditures:		19,235,205	2,778,038	16,456,381	786
Excess (Deficiency) Revenues over Expenditures:		(995,248)	(28,809)	(1,007,392)	40,953
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	400,000	-	-	400,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,174	-	1,174	-
381, 395, 398	Other Resources	54,143	-	54,143	-
Total Other Increases in Fund Resources:		455,317	-	55,317	400,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	111,774	-	22,174	89,600
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	400,000	-	400,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	1,952	-	1,952	-
Total Other Decreases in Fund Resources:		513,726	-	424,126	89,600
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,053,657)</b>	<b>(28,809)</b>	<b>(1,376,201)</b>	<b>351,353</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	14,039,213	59,729	11,493,675	2,485,809
5088000	Unreserved	1,898,914	1,898,914	-	-
<b>Total Ending Cash and Investments</b>		<b>15,938,127</b>	<b>1,958,643</b>	<b>11,493,675</b>	<b>2,485,809</b>

*The accompanying notes are an integral part of this statement.*

## **Snohomish County Fire Protection District No. 12**

### **Notes to the Financial Statements**

**For the year ended December 31, 2016**

#### **Note 1 - Summary of Significant Accounting Policies**

The Snohomish County Fire Protection District 12 was incorporated in 1952 and operates under the laws of the state of Washington applicable to a fire district. The district is a special purpose local government and provides fire protection and emergency medical services.

All fire protection and emergency medical service functions of the district are transferred to Marysville Fire District, an interlocal agency formed through a contractual agreement between Snohomish County Fire District 12 and the City of Marysville. Marysville Fire District 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.

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 FUND TYPES:**

##### **General Fund**

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

##### **Special Revenue Fund**

These funds account for specific revenue sources that are restricted or committed to expenditures

for specified purposes of the government.

#### Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

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

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

In accordance with state law and as allowed by the county treasurer, the district also recognizes expenditures paid for a period not to exceed thirty days after the close of the of the fiscal year for claims incurred during the previous period.

#### **C. Budgets**

The district adopts annual appropriated budgets for Fire District 12 Current Expense 001 and Reserve 002 (reported in Current Expense 001) funds and Marysville Fire District General Expense 001 (reported as Special Revenue 101), Reserve/Capital 301, and Apparatus Replacement 302 (reported in Capital 301) funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
<b>SCFD #12</b>			
General Expense 001	\$2,830,205	\$2,777,869	\$52,336
Reserve 002	\$300	\$169	\$131
<b>Marysville Fire District</b>			
General Expense 101	\$ 17,857,024	\$ 16,879,715	\$ 977,309
Reserve/Capital 301	\$ 170,500	\$ 34,754	\$ 135,746
Apparatus Replacement 302	\$ 690,250	\$ 55,632	\$ 634,618

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

#### **D. Cash and Investments**

See Note 2, *Deposits and Investments*.

#### 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. Capital assets and inventory are recorded as capital 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, 2016, the district's estimated liability for vacation/holiday pay was \$2,159,007.

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, 2016, the district's estimated liability for sick leave pay was \$ 603,631. Payments are recognized as expenditures when paid.

#### G. Risk Management

##### Self Insurance

The district self-insures as an individual program for unemployment compensation risk. Claims for unemployment are administered by the Washington State Employment Security Department and invoices are submitted to the district on a quarterly basis, if applicable. Total claims received and paid during the year ended December 31, 2016 was \$3,686. Unemployment claims are recorded in the Special Revenue Fund 101.

##### Washington Cities Insurance Authority (WCIA)

The district is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or or jointly contracting for risk management services. WCIA has a total of 175 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general,

automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA. Financial statements for WCIA may be obtained at [www.wciapool.org](http://www.wciapool.org).

#### Washington Fire Commissioners Association (WFCA)

The district participates, along with other member fire service organizations, in a health care program sponsored and managed by the Washington Fire Commissioners Association (WFCA). All participating members' medical, dental and life insurance premiums are deposited in the Association's Health Care Fund and actual program expenses (self-funded medical claims, insured premiums and administrative) are paid from the Fund. The WFCA Health Care Program carries stop loss insurance administered by the program's Third-Party-Administrator. Stop loss insurance limits any financial liability attributable to extraordinary medical or other self-funded claims expenses. Member organization financial exposure is limited to premiums paid to participate in the program. Financial statements for WFCA may be obtained at [www.wfcabenefits.com](http://www.wfcabenefits.com).

#### H. Reserved Portion of Ending Cash and Investments

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

Reservations of Beginning and Ending Cash Investments for 001 Current Expense Fund consist of restricted revenues derived from the district's property tax levy for EMS services. Reservations of Beginning and Ending Cash Investments for 101 Special Revenue Fund and 301 Capital Projects Fund are externally restricted for the exclusive operation of the Marysville Fire District, a joint cooperative formed through interlocal agreement between Fire District 12 and the City of Marysville. Ending

reservations of each fund as of December 31, 2016 are as follows: Current Expense 001 - \$59,729, Special Revenue 101 - \$11,493,675, Capital Projects 301 - \$2,485,809.

## **Note 2 – Deposits and Investments**

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

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

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	District's <b>own</b> Investments	Investments held by District as an agent for other local governments, individuals or private organizations	Balance
<b>SCFD #12</b>			
L.G.I.P.	\$ 365,075	-	\$ 365,075
S.C.I.P. (Snohomish County Investment Pool)	1,592,000	-	1,592,000
<b>Marysville Fire District</b>			
L.G.I.P.	1,527,601	-	1,527,601
S.C.I.P. (Snohomish County Investment Pool)	12,445,000	-	12,445,000
Total	<u>\$ 15,929,676</u>	<u>-</u>	<u>\$ 15,929,676</u>

## **Note 3 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed during the month as they are received and reported after the end of each month.

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

The district's regular levy for the year 2016 was \$1.23 per \$1,000 on an assessed valuation of \$1,686,832,794 for a total regular levy of \$2,066,773.

The district's EMS levy for the year 2016 was \$0.40 per \$1,000 on an assessed valuation of \$1,693,838,294 for a total additional levy of \$682,127.

As of December 31, 2016, the outstanding property taxes receivable was \$116,131.

## **Note 4 – Pension Plans**

### **A. State Sponsored Pension Plans**

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

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](http://www.drs.wa.gov).

At June 30, 2016 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.007773%	417,447
PERS 2/3	0.009959%	501,428
LEOFF 1	0.009840%	(101,380)
LEOFF 2	0.305885%	(1,779,119)

#### LEOFF Plan 1

The district also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

#### LEOFF Plan 2

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

### **Note 5 – Joint Ventures**

#### **City of Marysville**

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 District 12 Commissioners and three

appointed City of Marysville Council members. All property taxes levied and budgeted for contractual payment by 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 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 District 12. This contribution is paid to Marysville Fire District in equal monthly installments. Deviations from this standard funding formula (when necessary) are authorized under formal amendments to the original ILA. District 12 is the legal employer of all personnel and assigns all authority over such personnel to the joint operation Board of Directors. The current ILA is set to terminate on December 31, 2017.

Contractual financial contribution for year ended December 31, 2016 is as follows:

<u>Agency</u>	<u>Contribution</u>
Snohomish County Fire District 12	\$ 2,750,173
City of Marysville	\$ 9,734,442
Total	<u>\$ 12,484,615</u>

Upon ILA termination, division of all jointly owned and jointly purchased assets shall be apportioned utilizing the formula assigned by RCW 35A.14.380; the assessed value of real property within the District shall be divided by the sum of the combined assessed values of both the District and the City (i.e. the area currently encompassed within the Marysville Fire District). As of December 31, 2016, the contractual apportionment of assets is as follows:

<u>Agency</u>	<u>Share %</u>
Snohomish County Fire District 12	21.75%
City of Marysville	78.25%

The District's contractual share of Marysville Fire District ending net cash and investments for year ended December 31, 2016 was \$3,040,538.

### **SNOPAC 911 Emergency Communications**

The district and other Police and Fire entities (currently 37) operate jointly the Snohomish County Police Staff and Auxiliary Services Center, (SNOPAC). SNOPAC, 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 SNOPAC is with an 11 member Board of Directors which is specified in the Interlocal Agreement. SNOPAC 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 SNOPAC, any money in the possession of SNOPAC or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties to this Agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the District's share was \$ 980,436 on December 31, 2016.

Complete financial statements for SNOPAC can be obtained from SNOPAC's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

## **Note 6 – Other Disclosures**

### **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, 2016, is \$50. This amount has been accounted for in Special Revenue Fund 101.

- **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, 2016, is \$3,233. This amount has been accounted for in Special Revenue Fund 101.

- **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 Special Revenue Fund 101. The reconciled balance of this account as of December 31, 2016, is \$3,600. This amount has been accounted for in Special Revenue Fund 101.

### **OPEB**

The 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. Four (4) retirees received benefits during the year and \$79,919 was paid out for those benefits during the year ended December 31, 2016.

**Snohomish County Fire Protection District No. 12**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2016**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		2,507,307	255,331	-	2,762,638
264.30	Pension Liability		734,475	184,399	-	918,874
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,241,782</b>	<b>439,730</b>	<b>-</b>	<b>3,681,512</b>
<b>Total Liabilities:</b>			<b>3,241,782</b>	<b>439,730</b>	<b>-</b>	<b>3,681,512</b>

## 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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>