

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**North County Regional Fire Authority**  
**Snohomish County**

Audit Period  
**January 1, 2008 through December 31, 2008**

**Report No. 1002978**

Issue Date  
**February 8, 2010**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

February 8, 2010

Board of Commissioners  
North County Regional Fire Authority  
Stanwood, Washington

***Report on Financial Statements***

Please find attached our report on North County Regional Fire Authority's financial statements.

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

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

# Table of Contents

**North County Regional Fire Authority  
Snohomish County  
January 1, 2008 through December 31, 2008**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditor's Report on Financial Statements.....	3
Financial Section.....	5

**Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters in Accordance  
with *Government Auditing Standards***

North County Regional Fire Authority  
Snohomish County  
January 1, 2008 through December 31, 2008

Board of Commissioners  
North County Regional Fire Authority  
Stanwood, Washington

We have audited the financial statements of North County Regional Fire Authority, Snohomish County, Washington, as of and for the year ended December 31, 2008, and have issued our report thereon dated October 9, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of the Authority'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*.

This report is intended for the information and use of management and the Board of Commissioners. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

October 9, 2009

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

## **North County Regional Fire Authority Snohomish County January 1, 2008 through December 31, 2008**

Board of Commissioners  
North County Regional Fire Authority  
Stanwood, Washington

We have audited the accompanying financial statements of North County Regional Fire Authority, Snohomish County, Washington, for the year ended December 31, 2008. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Authority prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of North County Regional Fire Authority, for the year ended December 31, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Authority'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Debt 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

October 9, 2009

# **Financial Section**

**North County Regional Fire Authority  
Snohomish County  
January 1, 2008 through December 31, 2008**

## ***FINANCIAL STATEMENTS***

Resources and Uses Arising from Cash Transactions – 2008  
Notes to Financial Statements – 2008

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2008



**NORTH COUNTY REGIONAL FIRE AUTHORITY  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2008

BARS CODE	Description	TOTAL OF ALL ACCOUNTS	GENERAL EXPENSE 101	RESERVE FUND 103	DEBT SERVICE FUND 201
			Actual Amount	Actual Amount	Actual Amount
308	Beginning Net Cash and Investments	\$2,672,311.60	\$2,152,429.55	519,882.05	
Revenues and Other Sources					
310	Taxes	3,664,117.05	3,664,117.05		
320	Licenses and Permits	0.00			
330	Intergovernmental	81,400.12	81,400.12		
340	Charges for Goods and Services	479,431.41	479,431.41		
350	Fines and Forfeits				
360	Investment Interest	53,580.72	53,580.72		
360	Reserve Interest	26,601.83		26,601.83	
362	Other Misc	74,756.01	74,756.01		
390	Other Financing Sources	782,045.73	12,000.00	556,148.31	213,897.42
Total Revenues and Other Sources		5,161,932.87	4,365,285.31	582,750.14	213,897.42
<b>Total Resources</b>		<b>7,834,244.47</b>	<b>6,517,714.86</b>	<b>1,102,632.19</b>	<b>213,897.42</b>
Expenditures and Other Uses					
510	General Government	98,013.80	98,013.80		
520	Public Safety	2,965,814.14	2,965,814.14		
Total Operating Expenditures		3,063,827.94	3,063,827.94		
591-593	Debt Service	213,897.42			213,897.42
594	Capital Expenditures	496,625.47	496,625.47		
598	Other Expenditures				
<b>Total Expenditures</b>		<b>3,774,350.83</b>	<b>3,560,453.41</b>		<b>213,897.42</b>
596, 597, 599	Other Financing Uses	770,045.43	770,045.43		
<b>Total Expenditures and Other Uses</b>		<b>4,544,396.26</b>	<b>4,330,498.84</b>		<b>213,897.42</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>3,289,848.21</b>	<b>2,187,216.02</b>	<b>1,102,632.19</b>	
380	Nonrevenues (Except 384 and 388.80)				
580	Nonexpenditures (Except 584 and 588.80)				
<b>508</b>	<b>Ending Net Cash and Investments</b>	<b>3,289,848.21</b>	<b>2,187,216.02</b>	<b>1,102,632.19</b>	

The Accompanying Notes Are An Integral Part Of This Statement.

# NORTH COUNTY REGIONAL FIRE AUTHORITY

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

North County Regional Fire Authority is a special purpose government that provides (e.g. fire protection services, etc.) to the general public and is supported primarily through property taxes. The Fire Authority was incorporated on January 1, 2008 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 Fire Authority 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 Fire Authority'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 Fire Authority:

#### GOVERNMENTAL FUND TYPES:

##### General (Current Expense) Fund

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

##### Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

##### Reserve Fund

This fund account is set up to provide for future resources and maybe used to support future operating budgets.

### **B. Basis of Accounting**

North County Regional Fire Authority reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the *Cash Basis Budgeting Accounting and Reporting System* (BARS) manual for Fire Districts. 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.

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. Duties of Snohomish County**

As required by law, Snohomish County serves as the Fire Authority's treasurer and is charged with receiving and disbursing Fire Authority Revenues, collecting taxes and assessments authorized and levied and to credit the Fire Authority revenues to the proper fund. The county treasurer also pays out money received for the account of the Fire Authority on warrants issued by the County against proper funds of the Fire Authority. The warrants are issued on vouchers approved and signed by a majority of the fire authority's Board of Commissioners and Board Secretary.

**D. Budgetary Data**

The Fire Authority budget procedures are mandated by RCW 52.16.070. The Fire Authority may not expend funds in excess of taxes levied , contract revenues, grants, bequests, gifts, and the cash balance on hand in the expense and revenue funds at the beginning of the year. This limitation may be exceeded by issuing coupon warrants, general obligation bonds or creation of a local improvement district

**e. Capital Assets**

Capital assets are long-lived assets of the Fire Authority and are recorded as capital expenditures when purchased.

**f. Compensated Absences**

Employees accrue vacation based on tenure at annual rates ranging from 8 to 16 hours per month. Vacation pay may be accumulated up to 240 hours and is payable upon separation or retirement.

As of December 31, 2008, accrued unpaid vacation for all North County Regional Fire Authority employees amounted to \$60, 319.17.

Employees accrue sick leave based on tenure at annual rates ranging from 8 to 12 hours per month. Sick leave may accumulate with no restrictions and is payable upon separation or retirement. As of December 31, 2008, accrued unpaid sick leave for all North County Regional Fire Authority employees amounted to \$94,471.34.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

**NOTE 3 – PROPERTY TAXES**

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

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

The Fire Authority (Fire 14) regular levy for the year 2007 for collection in 2008 was \$1.27 per \$1,000 on an assessed valuation of \$1,496,873.815.

The Fire Authority (Fire 14) EMS levy for the year 2007 for collection in 2008 was \$.33 per \$1,000 on an assessed valuation of \$1,537,896,815

The Fire Authority (Fire 18) regular levy for the year 2007 for collection in 2008 was \$1.30 per \$1,000 on an assessed valuation of \$748,586,860.

The Fire Authority (Fire 18) EMS levy for the year 2007 for collection in 2008 was \$.35 per \$1,000 on an assessed valuation of \$776,477,160.

**NOTE 4 – INVESTMENTS**

The Fire Authority investments are held by the (county) as its agent in the Fire Authority’s name. Investments by type at December 31, 2008 were as follows:

<u>Type of Investment</u>	<u>Balance</u>
Expense Fund Balance-State Pool	\$2,182,284.29
Reserve Fund Balance-State Pool	\$1,102,632.19
<i>Total</i>	<i>\$3,284,916.48</i>

**NOTE 5 - LONG-TERM DEBT**

On July 9, 2003, Snohomish County Fire District No. 14’s Board of Commissioners approved the issuance and sale of a limited tax general obligation bond in the principal amount of \$2,000,000 for the purpose of financing the acquisition, construction, and equipping of a new fire station. The bond was issued on July 16, 2003, with an interest rate of 4.3%, and is held by Bank of America, N.A., Seattle, Washington. The bond matures December 1, 2018.

Principal of this bond is payable in annual payments of \$125,000.00 on each December 1, commencing December 1, 2003, and interest on this bond is payable on each June 1 and December 1, commencing December 1, 2003, with final payment of principal and interest nevertheless due on December 1, 2018. See attached Schedule 09 (schedule of long-term debt).

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Fire Authority and summarizes the Fire Authorities debt transactions for year 2008. The debt service requirements, including interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Total Debt</u>
2008	\$182,733.96	\$182,733.96
2009	\$177,342.02	\$177,342.02
2010	\$172,107.82	\$172,107.82
2011-2015	\$782,126.42	\$782,126.42
2016-2018	\$406,448.22	\$406,448.22
TOTALS	<u>\$1,720,758.44</u>	<u>\$1,720,758.44</u>

**NOTE 6 LONG TERM DEBT (Formally Fire #18)**

On January 1, 2008, Snohomish County Fire Protection District #18, combined with Snohomish County Fire Protection District #14 to become North County Regional Fire Authority. Snohomish County Fire Protection District #18 had an existing long-term debt owed on a fire engine. Below is the breakdown of yearly payments.

Year	Fire Truck Payment	Total Debt
2008	31,163.46	31,163.46
2009	31,163.46	31,163.46
2010	31,163.46	31,163.46
2011	31,163.46	31,163.46
2012	31,163.46	31,163.46
2013	31,163.46	31,163.46
2014	24,850.39	24,850.39
<b>TOTALS</b>	<b>211,831.15</b>	<b>211,831.15</b>

**NOTE 6 - PENSION PLANS**

Substantially all of the Fire Authority full-time employees participate in the Law Enforcement Officers and Fire Fighter's retirement system (LEOFF) or Public Employees Retirement Systems (PERS) administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Fire Authority'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 state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

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

**OTHER DISCLOSURES**

On January 1, 2008, all financial assets, equipment, inventory contracts, agreements and personnel from Snohomish County Fire Protection District 14 and Snohomish County Fire Protection 18, transferred to North County Regional Fire Authority.

North County Regional Fire Authority entered into a lease agreement with the Xerox Corporation for the following copier. This agreement is for 5 years and covers all maintenance and supplies.

Obligation Year	Leased Amount	Total Owed
2008	150.76	150.76
2009	1809.12	1809.12
2010	1809.12	1809.12
2011	1809.12	1809.12
2013	1809.12	1809.12
2014	1658.36	1658.36
<b>TOTAL</b>	<b>9045.60</b>	<b>9045.60</b>

North County Regional Fire Authority  
**SCHEDULE OF LONG TERM DEBT**  
 For the Year Ended December 31, 2008

Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/07 (Ending Outstanding Debt Balance from Prior Year)	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/08 (1)+(2)-(3)
7/1/03	12/1/18	1,375,000.00		391, _ _ _ 393, _ _ _		125,000.00	591,22.70		1,250,000.00
01/01/2004	6/1/2014	184,651.85		391, _ _ _ 393, _ _ _		24,257.45	591,22.70		160,394.40
				391, _ _ _ 393, _ _ _			591, _ _ .70 599, _ _ .70		
				391, _ _ _ 393, _ _ _			591, _ _ .70 599, _ _ .70		
				391, _ _ _ 393, _ _ _			591, _ _ .70 599, _ _ .70		
				391, _ _ _ 393, _ _ _			591, _ _ .70 599, _ _ .70		
				391, _ _ _ 393, _ _ _			591, _ _ .70 599, _ _ .70		
Total		1,559,651.85				149,257.45			1,410,394.40

The Accompanying Notes Are An Integral Part Of This Schedule.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

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