



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

**Financial Statements Audit Report**  
**Whatcom County Fire Protection**  
**District No. 7**

**For the period January 1, 2018 through December 31, 2019**

**Published May 14, 2020**

**Report No. 1026205**





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

May 14, 2020

Board of Commissioners  
Whatcom County Fire Protection District No. 7  
Ferndale, Washington

**Report on Financial Statements**

Please find attached our report on Whatcom County Fire Protection District No. 7's financial statements.

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT 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**

**Whatcom County Fire Protection District No. 7  
January 1, 2018 through December 31, 2019**

Board of Commissioners  
Whatcom County Fire Protection District No. 7  
Ferndale, 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 Whatcom County Fire Protection District No. 7, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 7, 2020.

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

As discussed in Note 9 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District.

**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 opinions on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

May 7, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Whatcom County Fire Protection District No. 7 January 1, 2018 through December 31, 2019

Board of Commissioners  
Whatcom County Fire Protection District No. 7  
Ferndale, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Whatcom County Fire Protection District No. 7, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

#### 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 state law 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 opinions 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, Whatcom County Fire Protection District No. 7 has prepared these financial statements to meet the financial reporting requirements of state law 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 cash and investments of Whatcom County Fire Protection District No. 7, and its changes in cash and investments, for the years ended December 31, 2018 and 2019, 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 Whatcom County Fire Protection District No. 7, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof 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.

### **Matters of Emphasis**

As discussed in Note 9 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

### **Other Matters**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2020 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.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

May 7, 2020

## **FINANCIAL SECTION**

### **Whatcom County Fire Protection District No. 7 January 1, 2018 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019

Fund Resources and Uses Arising from Cash Transactions – 2018

Notes to Financial Statements – 2019

Notes to Financial Statements – 2018

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

Schedule of Liabilities – 2019

Schedule of Liabilities – 2018

**Whatcom County Fire Protection District No. 7**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>001 707 - General Fund</b>	<b>210 70710 - GO Bond Fund</b>	<b>300 70730 - Capital Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	3,397,343	3,385,969	-	11,374
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	5,722,039	5,722,039	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,901,730	2,901,730	-	-
340	Charges for Goods and Services	3,646,703	3,646,703	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	108,571	103,637	6	4,928
Total Revenues:		12,379,043	12,374,109	6	4,928
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	8,298,008	8,298,008	-	-
Total Expenditures:		8,298,008	8,298,008	-	-
Excess (Deficiency) Revenues over Expenditures:		4,081,035	4,076,101	6	4,928
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	3,560,854	-	-	3,560,854
397	Transfers-In	589,272	48,950	4,374	535,948
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,571	1,571	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		4,151,697	50,521	4,374	4,096,802
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	498,481	-	-	498,481
591-593, 599	Debt Service	242,154	185,674	-	56,480
597	Transfers-Out	589,272	535,948	-	53,324
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	1,170,930	1,170,930	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,500,837	1,892,552	-	608,285
<b>Increase (Decrease) in Cash and Investments:</b>		<b>5,731,895</b>	<b>2,234,070</b>	<b>4,380</b>	<b>3,493,445</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	9,129,236	5,620,038	4,380	3,504,818
<b>Total Ending Cash and Investments</b>		<b>9,129,236</b>	<b>5,620,038</b>	<b>4,380</b>	<b>3,504,818</b>

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

**Whatcom County Fire Protection District No. 7**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>Total for All Funds (Memo Only)</b>	<b>001 707 - General Fund</b>	<b>300 70730 - Capital Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	2,449,739	2,448,905	834
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	5,688,673	5,688,673	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	445,911	445,911	-
340	Charges for Goods and Services	3,012,701	3,012,701	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	220,789	220,553	236
Total Revenues:		9,368,074	9,367,838	236
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	7,549,609	7,549,609	-
Total Expenditures:		7,549,609	7,549,609	-
Excess (Deficiency) Revenues over Expenditures:		1,818,465	1,818,229	236
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	923,261	923,261	-
397	Transfers-In	184,749	-	184,749
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	1,526	1,526	-
381, 382, 395, 398	Other Resources	12,243	12,243	-
Total Other Increases in Fund Resources:		1,121,779	937,030	184,749
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	174,445	-	174,445
591-593, 599	Debt Service	1,108,829	1,108,829	-
597	Transfers-Out	184,749	184,749	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	524,626	524,626	-
Total Other Decreases in Fund Resources:		1,992,649	1,818,204	174,445
<b>Increase (Decrease) in Cash and Investments:</b>		<b>947,595</b>	<b>937,055</b>	<b>10,540</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	-	-
5088000	Unreserved	3,397,343	3,385,969	11,374
<b>Total Ending Cash and Investments</b>		<b>3,397,343</b>	<b>3,385,969</b>	<b>11,374</b>

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

Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

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

Whatcom County Fire Protection District 7 was incorporated on September 26, 1956 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 to the public.

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. (see note to 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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.

**GO Bond Fund**

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general obligation bond debt.

Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

Debt Service Fund

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

Capital Projects Fund

These funds account for financial resources which are restricted, committed, or assigned for equipment upgrades, acquisition 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.

C. Cash and Investments

See Note 4 - Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 1.5 times and is payable upon separation or retirement. Sick leave may be accumulated up to 1680 hours. Upon separation or retirement eligible employees receive payment for a portion of unused sick leave, vacation and comp time if applicable. The vacation liability increase(s) are annual earned hours creating an obligation at year end. Payments are recognized as expenditures when paid.

Vacation Liability	\$ 806,977.06
Sick Leave Liability	\$ 369,618.82
Comp Time Liability	\$ 34,743.83
Total:	\$ 1,211,339.71

F. Long-Term Debt

See Note 3 - Debt Service Requirements.

Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

**Note 2 – Budget Compliance**

G. Budgets

Whatcom County Fire Protection District 7 adopts annual appropriated budgets for General, Debt Service, GO Bonds and Capital funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department 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/Department	Final Appropriated Amounts	Actual Expenses	Variance
General Fund	9,400,018	8,298,008	1,102,010
GO Bond Fund	-	-	-
Debt Service Fund	185,674	185,674	-
Capital Fund	535,630	554,961	(19,331)
	\$ 10,121,322	\$ 9,038,643	\$ 1,082,679

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; 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.

**Note 3 – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of Whatcom County Fire District 7 and summarizes the District's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, WA Local Agency Financing Lease Series 2018C and PNC Equipment Finance are as follows:



Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

Year	Principal	Interest	Total Debt Service
2020	266,235	132,429	398,664
2021	318,135	118,735	436,871
2022	335,095	110,376	445,471
2023	347,115	101,555	448,671
2024	359,198	92,347	451,546
2025-2029	1,707,539	309,482	2,017,020
2030-2034	1,415,000	104,435	1,519,435
<i>Totals</i>	<i>\$ 4,748,317</i>	<i>\$ 969,359</i>	<i>\$ 5,717,677</i>

#### **Note 4 – Deposits and Investments**

##### **A. Deposits**

Cash on hand at December 31, 2019 was \$0.00. The carrying amount of the District's deposits, including certificates of deposit, was \$0.00 and the bank balance was \$87,571.19.

##### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the District or its agent in the government's name.

##### **Investments**

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

Investments are reported amortized cost. Investments by type at December 31, 2019 are as follows:

<u>Type of Investment</u>	General Investment Pool	\$ 5,532,467
	GO Bond Investment Pool	\$ 4,380
	Capital Investment Pool	\$ 3,504,818
	Total:	\$ 9,041,665

Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

**Note 5 – OPEB Plans**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by Whatcom County Fire Protection District 7 as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had one member, a retiree. For the year ending December 31, 2019, Whatcom County Fire Protection District 7 paid (\$60,254.05) in benefits. As of 12/31/2019, the OPEB Plan liability has dissolved as there are no active members.

**Note 6— Pension Plans**

A. State Sponsored Pension Plans

Substantially all District 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 LEOFF II and PERS 2.

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).

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

At June 30, 2019 (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:

Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	Liability (Asset)
PERS 1 UAAL	8082.85	3,845,355,000	0.00112700%	43,337
PERS 2/3	11881.64	971,340,000	0.00145500%	14,133
LEOFF 1		(1,976,611,000)	0.00127900%	(25,281)
LEOFF 2	233205.02	(2,316,693,000)	0.126486%	(2,930,292)
VFFRPF	1440.00	(67,933,000.00)	0.73%	(495,911)
			<i>Totals</i>	\$ 57,470

#### 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 7- Property Tax**

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

Property tax revenues are recognized when cash is received by 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 2019 was \$1.2145704990 per \$1,000 on an assessed valuation of \$4,728,442,198 for a total regular levy of \$5,743,026.40.

#### **Note 8 – Risk Management**

Whatcom County Fire District No. 7 is a member of Cities Insurance Association of Washington (CIAW).

Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2019, there are 191 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$1,910,871.**

Property insurance is subject to a per occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

Whatcom County Fire Protection District 7  
Notes to the Financial Statements  
For the year ended December 31, 2019

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2019, were \$2,687,104.78.**

**Note 9 – Subsequent Events**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The potential financial impacts of this declaration are yet unknown however, it could include increased cost for overtime to cover potential sickness among the workforce, or to handle increased call loads due to the pandemic. It most certainly will increase the cost of supplies required to protect our workforce.

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

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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

Whatcom County Fire Protection District 7 was incorporated on September 26, 1956 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 to the public.

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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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.

**Debt Service Funds**

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

**Capital Projects Funds**

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.

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 1.5 times and is payable upon separation or retirement. Sick leave may be accumulated up to 1680 hours. Upon separation or retirement eligible employees do receive payment for a portion of unused sick leave, vacation and comp time if applicable. Payments are recognized as expenditures when paid.

Vacation Liability	\$ 165,573
Sick Leave Liability	\$ 243,644
Comp Time Liability	\$ 27,077
Total:	\$ 436,294

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

**Note 2 – Budget Compliance**

Whatcom County Fire Protection District 7 adopts annual appropriated budgets for General, Debt Service and Capital funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department 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/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 8,314,373	\$ 7,549,600	\$ 764,773
Debt Service Fund	\$ 192,180	\$ 185,568	\$ 6,612
Capital Fund	\$ 413,650	\$ 174,445	\$ 239,205
<i>Total Adopted Budget</i>	\$ 8,920,203	\$ 7,909,613	\$ 1,010,590

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; 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.

**Note 3 – Deposits and Investments**

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is 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 amortized cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	General Investment Pool	\$ 3,116,540
	Capital Investment Pool	\$ 11,440
	Total:	\$ 3,127,980

**Note 4 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed 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 2018 was \$1.3117696616 per \$1,000 on an assessed valuation of \$4,266,469,117 for a total regular levy of \$5,596,624.75.

**Note 5 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District debt transactions for year ended December 31, 2018.

The debt service requirements for general obligation bonds, revenue bonds, WA Local Agency Financing Lease Series 2018C and PNC Equipment Finance are as follows:

Year	Principal	Interest	Total Debt Service
2019	129,392	56,282	185,673
2020	131,235	50,938	182,173
2021	133,135	45,538	178,673
2022	140,095	39,953	180,048
2023	147,115	34,058	181,173
2024-2028	706,737	74,619	781,356
<i>Totals</i>	\$ 1,387,709	\$ 301,388	\$ 1,689,097



**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

Debt Refunding

The district issued \$820,000.00 of general obligation refunding bonds to retire \$915,000.00 of existing WA OST Loan. This refunding was undertaken to reduce total debt service payments over the next 10 years by approximately \$75,000.00.

**Note 6 – OPEB Plans**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by Whatcom County Fire Protection District 7 as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had one member, a retiree. For the year ended December 31, 2018, Whatcom County Fire Protection District 7 paid (\$65,502.00) in benefits.

**Note 7 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all district 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 LEOFF II and PERS 2.

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).

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

At June 30, 2018 (the measurement date of the plans), the district proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	Liability (Asset)
PERS 1 UAAL	8804.59	4,466,034,000	0.001317%	58,818
PERS 2/3	12997.69	1,707,411,000	0.001684%	28,753
LEOFF 1		(1,815,502,000)	0.001256%	(22,803)
LEOFF 2	253741.12	(2,030,218,000)	0.146325%	(2,970,716)
VFFRPF	1560.00	(52,844,000.00)	0.76%	(402,326)
<i>Totals</i>				\$ 87,570

**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 8 – Risk Management**

Whatcom County Fire Protection District 7 is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2018, there are 207 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

\$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$1,922,394.**

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000-member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000-member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December

1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2018, were \$2,809,430.40.**

**Whatcom County Fire Protection District No. 7**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.51	PNC Equipment Finance	6/1/2027	567,709	-	59,392	508,317
263.83	Local Agency Financing Lease Series 2018C	6/1/2028	820,000	-	70,000	750,000
251.12	General Obligation Bonds	12/1/2034	-	3,490,000	-	3,490,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,387,709</b>	<b>3,490,000</b>	<b>129,392</b>	<b>4,748,317</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.40	LEOFF 1 Member OPEB Liability	12/31/2019	201,574	-	201,574	-
264.30	Pension Liabilities		87,570	-	30,100	57,470
259.12	Vac/Sick/Comp Liabilities		436,294	775,046	-	1,211,340
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>725,438</b>	<b>775,046</b>	<b>231,674</b>	<b>1,268,810</b>
<b>Total Liabilities:</b>			<b>2,113,147</b>	<b>4,265,046</b>	<b>361,066</b>	<b>6,017,127</b>

**Whatcom County Fire Protection District No. 7**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2018**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.51	PNC Equipment Finance	6/1/2027	625,313	-	57,604	567,709
263.96	WA OST Local Program	8/30/2018	990,000	-	990,000	-
263.83	Local Agency Financing Lease Series 2018C (Real Property)	6/1/2028	-	820,000	-	820,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,615,313</b>	<b>820,000</b>	<b>1,047,604</b>	<b>1,387,709</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Vac/Sick/Comp Liabilities		384,023	52,271	-	436,294
264.30	Pension Liabilities		101,841	-	14,271	87,570
264.40	LEOFF 1 Member OPEB Liability		-	201,574	-	201,574
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>485,864</b>	<b>253,845</b>	<b>14,271</b>	<b>725,438</b>
<b>Total Liabilities:</b>			<b>2,101,177</b>	<b>1,073,845</b>	<b>1,061,875</b>	<b>2,113,147</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	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>