



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

**Financial Statements Audit Report**  
**North County Regional Fire Authority**  
**(North County Fire & EMS)**

**For the period January 1, 2017 through December 31, 2018**

**Published May 21, 2020**

**Report No. 1026235**





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

May 21, 2020

Board of Commissioners  
North County Fire & EMS  
Stanwood, Washington

**Report on Financial Statements**

Please find attached our report on North County Fire & EMS's financial statements.

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

Sincerely,

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

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**

**North County Fire & EMS  
January 1, 2017 through December 31, 2018**

Board of Commissioners  
North County Fire & EMS  
Stanwood, 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 North County Fire & EMS, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Fire Authority's financial statements, and have issued our report thereon dated May 13, 2020.

We issued an unmodified opinion on the fair presentation of the Fire Authority'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 Fire Authority 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 7 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Fire Authority.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Fire Authority'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 Fire Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Authority'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 Fire Authority'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.

In addition, we noted certain matters that we have reported to the management of the Fire Authority in a separate letter dated May 13, 2020.

## COMPLIANCE AND OTHER MATTERS

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

## 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 Fire Authority'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 Fire Authority'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 13, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## North County Fire & EMS January 1, 2017 through December 31, 2018

Board of Commissioners  
North County Fire & EMS  
Stanwood, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of North County Fire & EMS, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Fire Authority'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 Fire Authority'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 Fire Authority'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, North County Fire & EMS 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 North County Fire & EMS, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, 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 Fire Authority 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 North County Fire & EMS, as of December 31, 2018 and 2017, 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 7 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Fire Authority. 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 13, 2020 on our consideration of the Fire 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 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 Fire Authority's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

May 13, 2020

## **FINANCIAL SECTION**

### **North County Fire & EMS January 1, 2017 through December 31, 2018**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2018  
Fund Resources and Uses Arising from Cash Transactions – 2017  
Notes to Financial Statements – 2018  
Notes to Financial Statements – 2017

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

Schedule of Liabilities – 2018  
Schedule of Liabilities – 2017

**North County Regional Fire Authority**  
**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 General Fund</b>	<b>200 BOND FUND</b>	<b>301 Capital Reserve Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	4,577,820	3,259,557	2,678	1,315,585
388 / 588	Net Adjustments	(329)	(329)	-	-
<b>Revenues</b>					
310	Taxes	4,516,870	4,386,121	130,749	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	711,180	711,180	-	-
340	Charges for Goods and Services	3,077,286	3,077,286	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	105,810	57,352	-	48,458
Total Revenues:		8,411,146	8,231,939	130,749	48,458
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	7,074,255	7,074,255	-	-
Total Expenditures:		7,074,255	7,074,255	-	-
Excess (Deficiency) Revenues over Expenditures:		1,336,891	1,157,684	130,749	48,458
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	53,167	3,167	-	50,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,088	1,088	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		54,255	4,255	-	50,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	768,975	768,975	-	-
591-593, 599	Debt Service	130,260	-	130,260	-
597	Transfers-Out	53,167	50,000	3,167	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		952,402	818,975	133,427	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>438,744</b>	<b>342,964</b>	<b>(2,678)</b>	<b>98,458</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	5,016,237	3,602,194	-	1,414,043
<b>Total Ending Cash and Investments</b>		<b>5,016,237</b>	<b>3,602,194</b>	<b>-</b>	<b>1,414,043</b>

**North County Regional Fire Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>200 BOND FUND</b>	<b>301 Capital Reserve Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	4,152,093	2,763,803	1,739	1,386,551
388 / 588	Net Adjustments	74,062	74,062	-	-
<b>Revenues</b>					
310	Taxes	4,188,003	4,051,595	136,408	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	16,163	16,163	-	-
340	Charges for Goods and Services	2,924,348	2,924,348	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	122,005	91,585	-	30,420
Total Revenues:		7,250,519	7,083,691	136,408	30,420
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	6,377,751	6,377,751	-	-
Total Expenditures:		6,377,751	6,377,751	-	-
Excess (Deficiency) Revenues over Expenditures:		872,767	705,940	136,408	30,420
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	40,000	-	-	40,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	4,400	4,400	-	-
Total Other Increases in Fund Resources:		44,400	4,400	-	40,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	390,044	248,658	-	141,386
591-593, 599	Debt Service	135,468	-	135,468	-
597	Transfers-Out	40,000	40,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		565,512	288,658	135,468	141,386
<b>Increase (Decrease) in Cash and Investments:</b>		<b>351,655</b>	<b>421,682</b>	<b>940</b>	<b>(70,966)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	4,577,819	3,259,557	2,678	1,315,584
<b>Total Ending Cash and Investments</b>		<b>4,577,819</b>	<b>3,259,557</b>	<b>2,678</b>	<b>1,315,584</b>

# **North County Regional Fire Authority MCAG# 2945**

## **Notes to the Financial Statements For the Year Ended December 31, 2018**

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

The North County Regional Fire Protection Authority (Fire Authority) is a special purpose government that provides fire suppression, emergency medical services, public education and fire prevention services. The Fire Authority is supported primarily through property taxes and contract revenues. The Fire Authority was created on January 1, 2008, through the combination of Snohomish County Fire District No. 14 and Snohomish County Fire District No. 18, and operates under Chapter 52 of the Revised Code of Washington (RCW) and other laws of the state of Washington applicable to fire districts and fire protection authorities.

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

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

The Fire Authority 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 Fire Authority 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 Fire Authority'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 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 Fire Authority. It accounts for all financial resources except those required or elected to be accounted for in another fund. For reporting purposes, the Fire Authority has consolidated its Working Capital Operating Reserve Fund, Petty Cash Fund, and Investment Fund into the General Fund.

### Debt Service Fund

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

### Capital Projects Funds

This fund is used to account for financial resources which 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.

#### c. Cash and Investments

It is the Fire Authority's policy to invest all temporary cash surpluses. Interest earned on invested funds is credited either to the General Fund or the Capital Reserve Fund, depending on the source of the funds. All cash and investments are stated at fair value.

#### d. Capital Assets

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

#### e. Compensated Absences

Vacation pay may be accumulated up to 240 hours for employees covered under the International Association of Firefighters (IAFF) Local 4118 contract, and is payable upon separation or retirement. At December 31, 2018 the Fire Authority's estimated liability for vacation pay was \$182,003.

Upon separation or retirement employees covered under the IAFF agreement receive compensation for up to 500 for unused sick leave. At December 31, 2018 the Fire Authority's estimated liability for sick leave pay was \$404,675.

#### f. Long-Term Debt – Refer to Note 5, *Debt Service Requirements*.

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

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

None of the ending balances in any of the Fire Authority's funds are restricted.

## **Note 2 – Budget Compliance**

The Fire Authority adopts annual appropriated budgets for all governmental 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 General Fund operating budget were as follow:

	Original Budget	Amended Budget	Actual Expenditures	Variance
General Fund	\$ 8,127,074	\$8,127,074	\$ 7,893,229	\$ (233,845)

RCW 52.16.070 provides that the Fire Authority shall not expend funds in any year that exceed its available resources. For the 2018 calendar year, total expenditures did not exceed available resources.

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

## **Note 3 – 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.

The Fire Authority's investments are held by the Snohomish County Treasurer as its agent in the Fire Authority's name. At December 31, 2018 the Fire Authority had \$2,123,712 invested with the State of Washington Local Government Investment Pool (LGIP) and \$2,365,589 invested in the Snohomish County Investment Pool (SCIP). Both the LGIP's and SCIP's investment objectives are, in priority order: 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. Both investment pools are is comparable to a Securities and Exchange Commission regulated Rule 2a-7 money market fund.

The Fire Authority's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (PDPC). The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent.

#### **Note 4 - Property Tax**

The Snohomish County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed as they are received. Property tax revenues are recognized when cash is recorded as received by the County.

Property taxes levied by the County Assessor and collected by the County Treasurer become a lien on the first day of the levy year and may be paid in two equal installments. The first installment is due on April 30 and the balance is due October 31. Delinquent taxes are considered fully collectible, bear interest at 12 percent, and are subject to additional penalties if not paid as scheduled.

In 2018, the Fire Authority levied the following property taxes:

	Assessed Value	Levy Rate/\$1000	Levy Amount
Fire Operations	\$2,365,022,186	\$1.409	\$3,332,463
Emergency Medical Services (EMS)	2,398,447,886	0.440	1,054,517
GO Bonds, non-voted	2,369,434,620	0.055	130,234
		<u>\$1.904</u>	<u>\$ 4,517,214</u>

As of December 31, 2018, the outstanding property taxes receivable for the General Fund and the Debt Service Fund were \$141,287 and \$4,542 respectively.

#### **Note 5 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides additional information regarding the outstanding debt and liabilities of the Fire Authority and summarizes the Fire Authority's debt transactions for year ended December 31, 2018.

In July 2003, Snohomish County Fire District No. 14 issued a \$2,000,000 non-voted general obligation bond for the purpose of financing the acquisition, construction and equipping of a new fire station. The bond bears interest at the rate of 4.30% and is held by Bank of America, Seattle, Washington. Principal payments of \$125,000 are due annually on each December 1, and interest is paid each June 1 and December 1. The bond matures on December 1, 2018.

The debt service requirements for general obligation bond, including both principal and interest, are as follows:

Year	Principal	Interest	Total
2018	\$ 125,000	\$ 5,234	\$ 130,234
Total	<u>\$125,000</u>	<u>\$5,234</u>	<u>\$130,234</u>

## **Note 6 - Pension Plans**

Substantially all of the Fire Authority's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The Fire Authority 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 Fire Authority's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

System	Allocation %	Liability (Asset)
PERS 1	0.007309%	\$326,422
PERS 2/3	0.009362%	\$159,848
LEOFF 2	0.091823%	(\$1,864,207)
VFFRPF	0.0900000%	(\$46,422)

The Fire Authority 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.

The Fire Authority also participates in the PERS Plan 2/3. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2/3 in accordance with the recommendations of the Pension Funding Council and the PERS Plan Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

## **Note 7 - Other Disclosures**

### **Self Insurance**

The Fire Authority self-insures for Unemployment claims. During 2018, the Fire Authority received one new claim and paid out \$3,548. Unemployment claims are recorded as an expense in the General Fund.

The Fire Authority annually purchases commercial insurance coverage through a joint insurance pool with a number of other fire entities within Snohomish County. Our premium for 2018 was \$83,778 which provided policies for property, crime, portable, equipment, business auto, general liability, management liability, excess liability, group accident and sickness, and 24 hours accidental death and dismemberment.

The Fire Authority works with our insurance underwriter to manage risk by providing numerous training opportunities for the employees in areas of health and safety, vehicle operations, and administration. These trainings are conducted through in-person workshops and seminars, as well as on-line or DVD courses. The Fire Authority is also audited by our underwriter to further assess levels of exposure and best practices to address training and potential risk issues.

### **Joint Venture**

North County RFA and other police and fire entities operate jointly the Snohomish County 911 (SnoCom 911). SnoCom 911, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain, and operate a support communications center. Control of SnoCom 911 is with a 16 member Board of Directors which is specified in the Interlocal Agreement. SnoCom 911 takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SnoCom 911, any money in the possession of SnoCom 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under the Agreement shall be returned to the parties to the Agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, North County RFA's share was \$318,063 on December 31, 2018.

Complete financial statements for SnoCom 911 can be obtained from the administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

### **Government combination**

In the fall of 2018, the City of Stanwood residents approved a ballot issue which allowed the City to annex into the Fire Authority. While the Fire Authority has provided services to the City for a number of years, it was always done under a contract for services.

This annexation has no fiscal impact in 2019 as the City will continue to make a quarterly payment to the Fire Authority equal to the Fire Authority's 2019 levy rates for property and EMS taxes. Starting in 2020, the residents will be directly assessed the Fire Authority's property and EMS levy rates on their property tax statements and the City will no longer be obligated to pay the Fire Authority under the previous contract for services.

### **Prior Period Adjustment**

The Authority made a small prior period adjustment of (\$329) to account for a previous Snohomish County warrant adjustment.

### **Training Center Project**

The Authority has a desire to develop a training center in the next three to five years. This project would include purchase of property within our service area boundaries and the development costs of the training center. Long-term, the property may also include the construction of a new fire station to replace the aging Station# 96. The Authority would likely consider issuing General Obligation Debt to fund the project.

### **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, and limiting gathering sizes.

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

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

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

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

# **North County Regional Fire Authority MCAG# 2945**

## **Notes to the Financial Statements For the Year Ended December 31, 2017**

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

The North County Regional Fire Protection Authority (Fire Authority) is a special purpose government that provides fire suppression, emergency medical services, public education and fire prevention services. The Fire Authority is supported primarily through property taxes and contract revenues. The Fire Authority was created on January 1, 2008, through the combination of Snohomish County Fire District No. 14 and Snohomish County Fire District No. 18, and operates under Chapter 52 of the Revised Code of Washington (RCW) and other laws of the state of Washington applicable to fire districts and fire protection authorities.

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

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

The Fire Authority 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 Fire Authority 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 Fire Authority'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 (or 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. For reporting purposes, the Fire Authority has consolidated its Working Capital Operating Reserve Fund, Petty Cash Fund, and Investment Fund into the General Fund.

### Debt Service Fund

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

### Capital Projects Funds

This fund is used to account for financial resources which 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.

#### c. Budgets

The Fire Authority adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. Annual appropriations for these funds lapse at the fiscal year end.

The appropriated and actual expenditures for the General Fund operating budget are as follow:

	Original Budget	Amended Budget	Actual Expenditures	Variance
General Fund	\$ 7,212,959	\$ 7,212,959	\$ 6,666,399	\$ (546,560)

RCW 52.16.070 provides that the Fire Authority shall not expend funds in any year that exceed its available resources. For the 2017 calendar year, total expenditures did not exceed available resources.

#### d. Cash and Investments

It is the Fire Authority's policy to invest all temporary cash surpluses. Interest earned on invested funds is credited either to the General Fund or the Capital Reserve Fund, depending on the source of the funds. All cash and investments are stated at fair value.

e. Capital Assets

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

f. Compensated Absences

Vacation pay may be accumulated up to 240 hours for employees covered under the International Association of Firefighters (IAFF) Local 4118 contract, and is payable upon separation or retirement. At December 31, 2017 the Fire Authority's estimated liability for vacation pay was \$174,346.

Upon separation or retirement employees covered under the IAFF agreement receive compensation for up to 500 for unused sick leave. At December 31, 2017 the Fire Authority's estimated liability for sick leave pay was \$343,882.

g. Long-Term Debt – Refer to Note 4, *Debt Service Requirements*.

h. Risk Management – Refer to Note 6, *Other Disclosures*.

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

The Fire Authority's investments are held by the Snohomish County Treasurer as its agent in the Fire Authority's name. At December 31, 2017 the Fire Authority had \$2,033,836 invested with the State of Washington Local Government Investment Pool (LGIP) and \$2,349,920 invested in the Snohomish County Investment Pool (SCIP). Both the LGIP's and SCIP's investment objectives are, in priority order: 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. Both investment pools are is comparable to a Securities and Exchange Commission regulated Rule 2a-7 money market fund.

The Fire Authority's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (PDPC). The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent.

## **Note 3 - Property Tax**

The Snohomish County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed as they are received. Property tax revenues are recognized when cash is recorded as received by the County.

Property taxes levied by the County Assessor and collected by the County Treasurer become a lien on the first day of the levy year and may be paid in two equal installments. The first installment is due on

April 30 and the balance is due October 31. Delinquent taxes are considered fully collectible, bear interest at 12 percent, and are subject to additional penalties if not paid as scheduled.

Washington State law requires Assessors appraise property at 100 percent of its “true and fair market value” according to the “highest and best use” of the property. Taxes levied in 2017 were based on market sales in 2014, except for new construction. New construction values were established as of July 31, 2016.

In 2017, the Fire Authority levied the following property taxes:

	Assessed Value	Levy Rate/\$1000	Levy Amount
Fire Operations	\$2,101,144,092	\$1.436	\$3,016,464
Emergency Medical Services (EMS)	2,133,461,692	0.480	1,024,226
GO Bonds, non-voted	2,104,499,340	0.064	135,468
		\$1.980	\$ 4,176,158

As of December 31, 2017, the outstanding property taxes receivable for the General Fund and the Debt Service Fund were \$136,347 and \$4,860 respectively.

#### **Note 4 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides additional information regarding the outstanding debt and liabilities of the Fire Authority and summarizes the Fire Authority’s debt transactions for year ended December 31, 2017.

In July 2003, Snohomish County Fire District No. 14 issued a \$2,000,000 non-voted general obligation bond for the purpose of financing the acquisition, construction and equipping of a new fire station. The bond bears interest at the rate of 4.30% and is held by Bank of America, Seattle, Washington. Principal payments of \$125,000 are due annually on each December 1, and interest is paid each June 1 and December 1. The bond matures on December 1, 2018.

The debt service requirements for general obligation bond, including both principal and interest, are as follows:

Year	Principal	Interest	Total
2017	125,000	10,468	135,468
2018	125,000	5,234	130,234
	\$250,000	\$15,702	\$265,702

## **Note 5 - Pension Plans**

Substantially all of the Fire Authority's full-time and qualifying part-time employees participate in the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2, or the Public Employees Retirement System (PERS) Plan 2 or Plan 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Fire Authority's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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 Fire Authority 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, 2017 (the measurement date of the plans), the Fire Authority's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

System	Allocation %	Liability (Asset)
PERS 1	0.00656%	\$311,562
PERS 2/3	0.008445%	\$293,423
LEOFF 2	0.08808%	(\$1,222,334)
VFFRPF	0.141915%	(\$57,205)

The Fire Authority 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 6 - Other Disclosures**

### **Insurance**

The Fire Authority self-insures for unemployment claims. During 2017, the Fire Authority received one new claim and paid out \$10,002. Unemployment claims are recorded as an expense in the General Fund.

The Fire Authority annually purchases commercial insurance coverage through a joint insurance pool with a number of other fire entities within Snohomish County. Our premium for 2017 was \$77,067 which provided policies for property, crime, portable, equipment, business auto, general liability, management liability, excess liability, group accident and sickness, and 24 hours accidental death and dismemberment.

The Fire Authority works with our insurance underwriter to manage risk by providing numerous training opportunities for the employees in areas of health and safety, vehicle operations, and administration. These trainings are conducted through in-person workshops and seminars, as well as on-line or DVD courses. The Fire Authority is also audited by our underwriter to further assess levels of exposure and best practices to address training and potential risk issues.

### **Joint Venture**

The Fire Authority 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 the Agreement shall be returned to the parties to the Agreement in proportion to their contribution during the fiscal year of dissolution. As of December 31, 2017, before deducting the payment of all costs, expenses and charges validly incurred, the Fire Authority's share was \$222,976.

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

### **Prior Period Adjustment**

The financials include a positive prior period adjustment. The Authority maintains an Accounts Payables bank account at Bank of America into which funds are transferred into to fund the Authority's issuance of payable and benefit checks. The funds are electronically moved over from the Authority's expense account held with the Snohomish County Treasurer's Office. Over the years, the account has been steadily collecting over-funding due to voided checks and voided transactions. Prior accounting systems did not provide clear visibility of this issue. The Authority changed to new accounting system software which allows us to better track and identify the actual outstanding checks and the funds that should be remaining in this account to cover those checks. The amount of \$74,062 was the additional funds in the account that were not necessary to fund outstanding checks as of December 31, 2017.

**North County Regional Fire Authority  
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>						
251.11	Station 97	12/1/2018	125,000	-	125,000	-
<b>Total General Obligation Debt/Liabilities:</b>			<b>125,000</b>	<b>-</b>	<b>125,000</b>	<b>-</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Balances-Sick		343,882	77,141	16,348	404,675
259.12	Compensated Balances-Vacation		174,339	34,847	27,183	182,003
264.30	Pension Liabilities		604,985	-	118,715	486,270
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,123,206</b>	<b>111,988</b>	<b>162,246</b>	<b>1,072,948</b>
<b>Total Liabilities:</b>			<b>1,248,206</b>	<b>111,988</b>	<b>287,246</b>	<b>1,072,948</b>

**North County Regional Fire Authority  
Schedule of Liabilities  
For the Year Ended December 31, 2017**

<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>						
251.11	Station 97	12/1/2018	250,000	-	125,000	125,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>250,000</b>	<b>-</b>	<b>125,000</b>	<b>125,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Balances-Sick Leave	12/31/2017	309,211	160,473	125,802	343,882
259.12	Compensated Balances-Vacation Leave	12/31/2017	167,686	219,259	212,606	174,339
264.30	Net Pension Liability		757,468	-	152,483	604,985
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,234,365</b>	<b>379,732</b>	<b>490,891</b>	<b>1,123,206</b>
<b>Total Liabilities:</b>			<b>1,484,365</b>	<b>379,732</b>	<b>615,891</b>	<b>1,248,206</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>