



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **Chelan County Fire Protection District No. 1**

**For the period January 1, 2020 through December 31, 2021**

*Published January 26, 2023*

Report No. 1031784



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

January 26, 2023

Board of Commissioners  
Chelan County Fire Protection District No. 1  
Wenatchee, Washington

**Report on Financial Statements**

Please find attached our report on Chelan County Fire Protection District No. 1's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## INDEPENDENT AUDITOR'S REPORT

### 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*

#### **Chelan County Fire Protection District No. 1 January 1, 2020 through December 31, 2021**

Board of Commissioners  
Chelan County Fire Protection District No. 1  
Wenatchee, 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 Chelan County Fire Protection District No. 1, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 22, 2022.

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.

### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

December 22, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Chelan County Fire Protection District No. 1 January 1, 2020 through December 31, 2021**

Board of Commissioners  
Chelan County Fire Protection District No. 1  
Wenatchee, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Chelan County Fire Protection District No. 1, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Chelan County Fire Protection District No. 1, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, on the basis of accounting described in Note 1.

### **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 Chelan County Fire Protection District No. 1, as of December 31, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and



*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. 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 December 22, 2022 on our consideration of the District's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 22, 2022

## **FINANCIAL SECTION**

### **Chelan County Fire Protection District No. 1 January 1, 2020 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021

Fund Resources and Uses Arising from Cash Transactions – 2020

Notes to the Financial Statements – 2021

Notes to the Financial Statements – 2020

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

Schedule of Liabilities – 2021

Schedule of Liabilities – 2020

**Chelan County Fire Protection District No. 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	4,565,420
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	7,637,163
320	Licenses and Permits	-
330	Intergovernmental Revenues	200,599
340	Charges for Goods and Services	1,840,305
350	Fines and Penalties	-
360	Miscellaneous Revenues	100,293
Total Revenues:		9,778,360

**Expenditures**

510	General Government	-
520	Public Safety	8,154,124
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		8,154,124
Excess (Deficiency) Revenues over Expenditures:		1,624,236

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	888,108
591-593, 599	Debt Service	430,500
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		1,318,608

**Increase (Decrease) in Cash and Investments: 305,628**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	4,871,048
<b>Total Ending Cash and Investments</b>		<b>4,871,048</b>

**Chelan County Fire Protection District No. 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	9,674,698
388 / 588	Net Adjustments	(4,631)

**Revenues**

310	Taxes	7,092,677
320	Licenses and Permits	-
330	Intergovernmental Revenues	256,127
340	Charges for Goods and Services	1,363,648
350	Fines and Penalties	-
360	Miscellaneous Revenues	289,286
Total Revenues:		9,001,738

**Expenditures**

510	General Government	-
520	Public Safety	7,820,260
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		7,820,260
Excess (Deficiency) Revenues over Expenditures:		1,181,478

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	5,859,325
591-593, 599	Debt Service	426,800
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		6,286,125

**Increase (Decrease) in Cash and Investments: (5,104,647)**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	4,565,420
<b>Total Ending Cash and Investments</b>		<b>4,565,420</b>

**Chelan County Fire Protection District 1**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

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

Chelan County Fire District 1 was incorporated in June 1943 and operates under the laws of the State of Washington applicable to fire protection districts. Chelan County Fire District 1 is a special purpose district that provides fire suppression and emergency medical services.

The Fire 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. BARS 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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.

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 3, *Deposits and Investments*

D. **Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life of at least five years. Capital assets are inventoried and recorded as capital expenditures when purchased.

E. **Compensated Absences**

Non-represented employees may accrue vacation leave equal to two times their current annual vacation accrual rate. Employees represented under the IAFF Local 453 may accrue vacation leave up to a maximum of 528 hours each

March 1<sup>st</sup>. Vacation balances are payable upon separation or retirement. Sick leave balances accrue up to a maximum of six months of leave. Sick leave may be used for paid time off for illness or injury of the employee, dependent, or family members as prescribed by state and federal law. For non-represented employees, sick leave is forfeited upon separation or retirement. Employees represented under the IAFF Local 453 contract and employed more than five years will be cashed out at 25% up to a maximum of 1320 hours upon separation or retirement. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, *Long-Term Debt*.

**Note 2 – Budget Compliance**

A. Budgets

The Fire District adopts annual appropriated budgets for general expense and capital funds. The budgets are appropriated at the fund 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 follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense Fund	7,497,496.48	7,302,168.72	195,327.76
Helicopter Expense Fund	574,022.64	464,633.78	109,388.86
Capital Expense Fund	1,208,798.00	1,223,533.07	(14,735.07)
Fire District Total	9,280,317.12	8,990,335.57	289,981.55

The budget and expenditure amounts provided above do not include any transfers between funds.

The helicopter expense fund includes expenditures associated with fire protection services provided during the summer fire season. The Fire District is reimbursed for these expenditures.

The capital fund expenditures included \$209,708.83 for the completion of Fire Station 10. These expenditures were funded by bond proceeds and not included in the 2021 budget appropriation.

Budgeted amounts are authorized to be transferred between funds; 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.

The Fire District maintains seven internal funds, this includes the three Expense and Capital Funds identified above. All internal funds are combined and reported together on the financial statements as the General Fund.

**Note 3 – Deposits and Investments**

All deposits and investments are held by Chelan County in the Fire District's name.

The Fire District maintains seven internal funds. The seven funds are combined and reported together as the General Fund on the district's Financial Statements. The deposits and investments held by the Chelan County Treasurer on December 31, 2021 in the seven internal funds are:

Type of Investment	Fire District Own Investment	Investment held by Chelan County as agent	Total
Current Expense Funds	0	2,024,017.25	2,024,017.25
Current Helicopter Expense	0	137,816.58	137,816.58
Fire Suppression Fund	0	50,000.00	50,000.00
Reserve Fund	0	760,039.02	760,039.02
Capital Fund	0	1,449,175.00	1,449,175.00
Helicopter Reserve Fund	0	450,000.00	450,000.00
Fire Bond	0	0.00	0.00
Totals	0	4,871,047.85	4,871,047.85

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 the Washington Public Deposit Protection Commission.

Chelan County is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### **Note 4 – Property Tax**

The County Treasurer acts as agent to collect property tax levied in the County for all taxing authorities. Collections are distributed as received. Property tax revenues are recognized when cash is received by the Chelan County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The regular levy for the year 2020 for collection in the year 2021 was \$1.38 per \$1,000 on an assessed valuation of \$5,528,713,923 for a total regular levy of \$ 7,653,582.26.

#### **Note 5 – Long-term Debt (formerly Debt Service Requirements)**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Fire District and summarizes the district's debt transactions for the year ended December 31, 2021.

##### **A. General Obligation Bonds**

In May 2018 the Chelan County Fire District 1 Board of Fire Commissioners adopted Resolution 2018-003 authorizing the issuance and sale of non-voted limited tax general obligation bonds. Bond proceeds were used to construct Fire Station 10; proceeds totaled \$5,685,000. Construction began in 2019 and Fire Station 10 was complete in late 2020. The debt service requirements, including interest, are as follows:

Year	Principal	Interest	Total Debt Service
2022	235,000.00	193,300.00	428,300.00
2023	245,000.00	186,250.00	431,250.00
2024	250,000.00	178,900.00	428,900.00
2025	260,000.00	171,400.00	431,400.00
2026	270,000.00	161,000.00	431,000.00
2027-2031	1,510,000.00	634,800.00	2,144,800.00
2032-2036	1,835,000.00	307,600.00	2,142,600.00
2037-	410,000.00	48,600.00	458,600.00
Totals	5,015,000.00	1,881,850.00	6,896,850.00



## B. Lease-Purchase Agreement

In December of 2019 the Fire District entered into a Lease-Purchase Agreement with PNC Equipment Finance for the purchase of two Pierce Arrow XT Pumpers (Engines) from Hughes Fire Equipment, Inc. The total purchase price for the two engines is \$1,336,463.73; the engines were delivered in August 2020. Two payments of \$55,278.74 will be made annually through November 2034. The debt service requirements, including interest, are as follows:

Year	Principal	Interest	Total Debt Service
2022	76,206.01	34,351.47	110,557.48
2023	78,462.94	32,094.54	110,557.48
2024	80,786.71	29,770.77	110,557.48
2025	83,179.29	27,378.19	110,557.48
2026	85,642.74	24,914.74	110,557.48
2027-2031	467,795.92	84,991.48	552,787.40
2032-2034	315,255.31	16,417.13	331,672.44
Totals	1,187,328.92	249,918.32	1,437,247.24

If the Fire District fails to appropriate sufficient funds for the Lease Payments and other funds are not available for such payments, the Lease-Purchase Agreement with PNC Equipment Finance will terminate. If terminated, PNC Equipment Finance will request the return of the two Pierce Arrow XT Pumpers.

## **Note 6 – Pension Plans**

### A. State Sponsored Pension Plans

Substantially all the Fire District's full-time and qualifying part-time employees participate in the PERS and LEOF 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. 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

The Fire 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).

On June 30, 2021 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	13,549	0.001819%	22,214
PERS 2/3	22,146	0.002338%	(232,902)
LEOFF 1	0.00	0.010472%	(358,725)
LEOFF 2	245,194.58	0.123001%	(7,144,407)
VFFRPF	30.00	0.015423%	(3,394)

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 – Other Postemployment Benefits**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the district as required by RCW 41.26.150. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had four members, all retirees. As of December 31, 2021, the District's total OPEB liability was \$242,992, as calculated using the Alternative Measurement Method. For the year ended December 31, 2021, the district paid \$68,732.62 in benefits. Benefits include medical expenses (\$9,331.86), health insurance premiums (\$53,528.20) and long-term care premiums (\$5,872.56).

#### **Note 8 - Risk Management**

##### **A. CIAW Insurance Pool**

The Chelan County Fire District 1 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, 2021, there are 192 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. 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 \$3,505,566, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$100,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$100,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence self-insured retention of \$25,000. Members are responsible for the \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), 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 SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

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.

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, 2021, were \$2,772,986.77.

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.

**B. Self-Insured Unemployment Insurance**

The Fire District is self-insured for unemployment insurance and paid one claim for \$940.25 in unemployment expenses in 2021. No additional claims are anticipated during 2022, however, additional claims could be possible if unemployment benefits are expanded because of the COVID-19 pandemic.

**Note 9 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Operationally, the district has increased the use of personal protection equipment and modified response protocols to protect both personnel and the public when responding to fire suppression and medical emergency calls for service. The district limits non-essential interaction between personnel and the public to reduce the risk of transmission. With these measures in place, the impact to the Fire District remains minimal.

The Fire District incurred additional expenses in 2021 to implement these precautionary measures in response to the pandemic. To offset COVID-related expenses, the Fire District applied for, and received, FEMA Public Assistance COVID-19 grant funding. The FEMA grant will remain open during the pandemic and is currently reimbursing 100% of the fire district's COVID-related expenses including personal protective equipment, sanitation supplies, temporary isolation lodging, and COVID-related overtime. As of May 2022, the district had submitted four reimbursement requests totaling \$119,615.80 for 2020-2022 expenses.

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

**Note 10 - Other Disclosures**

A. City of Wenatchee Annexation: In 2015 the voters in Chelan County Fire District 1 and the City of Wenatchee separately approved the City's annexation into the Fire District; the annexation became effective at the end of July 2015. The annexation greatly increased the number of citizens served by the Fire District and the calls for service. The number of personnel, assessed property values, revenue, and total annual budget also increased greatly as a result of the annexing the city.

B. Douglas County Fire District 2 Interlocal Agreement for Fire Chief Services: On March 1, 2021 the Fire District entered into an Interlocal Agreement with Douglas County Fire District 2 to provide fire chief services and

explore the feasibility of forming a Regional Fire Authority (RFA). The Interlocal Agreement was amended in July, 2021 to include all Chief Officers employed by the two fire districts and the Wildfire Liaison. Subsequent Interlocal Agreements were entered in July 2021 for Douglas County Fire District 2's use of the district's Training Facilities, and in October, 2021, for use of the Fleet Services Facilities.

C. Potential Disclosure: In January 2021, the Fire District adopted a formal policy regarding Related Party Transactions. Each January the elected and appointed officials and executive management of the fire district will provide information on the business interests for themselves and all members of their household, which could include close members of the family and entities over which you have control, joint control, a key management position, or significant influence. This information will be used to track related-party transactions throughout the year.

D. Formation of a Regional Fire Authority, Wenatchee Valley Fire Department: At a Special Meeting on April 26, 2022, the Chelan County Fire District 1 Board of Fire Commissioners approved Joint Resolution 2022-007. Resolution 2022-007 formally adopts the Regional Fire Authority Plan for the Wenatchee Valley Fire Department, and requests that Proposition 1 be placed on the August 2, 2022, ballot. The ballot measure was approved by the voters of Chelan County Fire District 1 and Douglas County Fire District 2, forming the Wenatchee Valley Fire Department, effective September 30, 2022. The Wenatchee Valley Fire Department began providing fire protection and emergency medical services funded by a property tax not to exceed \$1.50 per thousand of assessed value to be collected in 2023. The Regional Fire Protection Service Authority Plan for Wenatchee Valley Fire Department is available on the fire district's website at [chelancountyfire.com](http://chelancountyfire.com).

**Chelan County Fire Protection District 1**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2020**

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

Chelan County Fire District 1 was incorporated in June 1943 and operates under the laws of the State of Washington applicable to fire protection districts. Chelan County Fire District 1 is a special purpose district that provides fire suppression and emergency medical services.

The Fire 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. BARS 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.

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 3, *Deposits and Investments*

D. **Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life of at least five years. Capital assets are inventoried and recorded as capital expenditures when purchased.

E. **Compensated Absences**

Non-represented employees may accrue vacation leave equal to two times their current annual vacation accrual rate. Employees represented under the IAFF Local 453 may accrue vacation leave up to a maximum of 528 hours each March 1<sup>st</sup>. Vacation balances are payable upon separation or retirement. Sick leave balances accrue up to a maximum

of six months of leave. Sick leave may be used for paid time off for illness or injury of the employee, dependent, or family members as prescribed by state and federal law. For non-represented employees, sick leave is forfeited upon separation or retirement. Employees represented under the IAFF Local 453 contract will be cashed out at 15% up to a maximum of 1320 hours upon separation or retirement. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, *Long-Term Debt*.

**Note 2 – Budget Compliance**

A. Budgets

The Fire District adopts annual appropriated budgets for general expense and capital funds. The budgets are appropriated at the fund 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 follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense Fund	6,901,076.00	6,865,576.53	35,499.47
Helicopter Expense Fund	331,460.85	249,608.66	81,852.19
Capital Expense Fund	1,124,609.00	6,705,253.06	-5,580,644.06
Fire District Total	8,357,145.85	13,820,438.25	-5,463,292.40

The budget and expenditure amounts provided above do not include any transfers between funds.

The helicopter expense fund includes expenditures associated with fire protection services provided during the summer fire season. The Fire District is reimbursed for these expenditures.

The capital fund expenditures included \$5,430,062.31 of expenses for Fire Station 10. These expenditures were funded by bond proceeds and not included in the 2020 budget appropriation.

Budgeted amounts are authorized to be transferred between funds; 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.

The Fire District maintains seven internal funds, this includes the three Expense and Capital Funds identified above. All internal funds are combined and reported together on the financial statements as the General Fund.

**Note 3 – Deposits and Investments**

All deposits and investments are held by Chelan County in the Fire District's name.

The Fire District maintains seven internal funds. The seven funds are combined and reported together as the General Fund on the district's Financial Statements. The deposits and investments held by the Chelan County Treasurer on December 31, 2020 in the seven internal funds are:

Type of Investment	Fire District Own Investment	Investment held by Chelan County as agent	Total
Current Expense Funds	0	1,886,191.50	1,886,172.25
Current Helicopter Expense	0	170,000.00	170,000.00
Fire Suppression Fund	0	50,000.00	50,000.00
Reserve Fund	0	628,615.87	628,615.87
Capital Fund	0	1,380,632.07	1,380,632.07
Helicopter Reserve Fund	0	450,000.00	450,000.00
Fire Bond	0	0.00	0.00
Totals	0	4,565,439.44	4,565,420.19

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 the Washington Public Deposit Protection Commission.

Chelan County is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### **Note 4 – Property Tax**

The County Treasurer acts as agent to collect property tax levied in the County for all taxing authorities. Collections are distributed as received. Property tax revenues are recognized when cash is received by the Chelan County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The regular levy for the year 2019 for collection in the year 2020 was \$1.35 per \$1,000 on an assessed valuation of \$5,246,273,427 for a total regular levy of \$ 7,089,459.90.

#### **Note 5 – Long-term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Fire District and summarizes the district's debt transactions for the year ended December 31, 2020.

##### **A. General Obligation Bonds**

In May 2018 the Chelan County Fire District 1 Board of Fire Commissioners adopted Resolution 2018-003 authorizing the issuance and sale of non-voted limited tax general obligation bonds. Bond proceeds are being used to construct Fire Station 10; proceeds totaled \$5,685,000. Construction began in 2019 and Fire Station 10 was complete in late 2020. The debt service requirements, including interest, are as follows:

Year	Principal	Interest	Total Debt Service
2021	230,000.00	200,200.00	430,200.00
2022	235,000.00	193,300.00	428,300.00
2023	245,000.00	186,250.00	431,250.00
2024	250,000.00	178,900.00	428,900.00
2025	260,000.00	171,400.00	431,400.00
2026-2030	1,455,000.00	693,000.00	2,148,000.00
2031-2035	1,765,000.00	378,200.00	2,143,200.00
2036-2037	805,000.00	48,600.00	853,600.00
Totals	5,245,000.00	2,049,850.00	7,294,850.00

##### **B. Lease-Purchase Agreement**

In December of 2019 the Fire District entered into a Lease-Purchase Agreement with PNC Equipment Finance for the purchase of two Pierce Arrow XT Pumpers (Engines) from Hughes Fire Equipment, Inc. The total purchase price for the two engines is \$1,336,463.73; the engines were delivered in August 2020. Two payments of \$55,278.74 will be made annually through November 2034. The debt service requirements, including interest, are as follows:

Year	Principal	Interest	Total Debt Service
2021	74,014.01	36,543.47	110,557.48
2022	76,206.01	34,351.47	110,557.48
2023	78,462.94	32,094.54	110,557.48
2024	80,786.71	29,770.77	110,557.48
2025	83,179.29	27,378.19	110,557.48
2026-2030	454,340.14	98,447.26	552,787.40
2031-2034	414,353.83	27,876.09	442,229.92
Totals	1,261,342.93	286,461.79	1,547,804.72

If the Fire District fails to appropriate sufficient funds for the Lease Payments and other funds are not available for such payments, the Lease-Purchase Agreement with PNC Equipment Finance will terminate. If terminated, PNC Equipment Finance will request the return of the two Pierce Arrow XT Pumps.

## **Note 6 – Pension Plans**

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

Substantially all the Fire District's full-time and qualifying part-time employees participate in the PERS and LEOFF 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. 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 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).

On June 30, 2020 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	10,119.00	0.001396%	49,286
PERS 2/3	16,679.00	0.001810%	23,149
LEOFF 1	0.00	0.010219%	(192,987)
LEOFF 2	198,888.97	0.101671%	(2,073,940)
VFFRPF	30.00	0.015443%	(5,442)

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 – Other Postemployment Benefits**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the district as required by RCW 41.26.150. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had five members, all retirees. As of December 31, 2020, the District's total OPEB liability was \$2,722,138, as calculated using the Alternative Measurement Method. For the year ended December 31, 2020, the district paid \$93,134.26 in benefits. Benefits include medical expenses (\$7,476.60), health insurance premiums (\$65,858.30) and long-term care premiums (\$19,799.36).

#### **Note 8 - Risk Management**

The Chelan County Fire District 1 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, 2020, there are 193 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 \$2,147,814.

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, 2020, were \$2,651,954.

The Fire District is self-insured for unemployment insurance and paid three claims for \$19,541.38 in unemployment expenses in 2020. No additional claims are anticipated during 2021, however, additional claims could be possible if unemployment benefits are again expanded because of the COVID-19 pandemic.

#### **Note 9 – COVID-19 Pandemic**

In February 2020, the Governor of Washington State declared a state of emergency in response to the spread of the deadly virus, COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Operationally, the district has increased the use of personal protection equipment and modified response protocols to protect both personnel and the public when responding to fire suppression and medical emergency calls for service. The district limits non-essential interaction between personnel and the public to reduce the risk of transmission. With these measures in place, the impact to the Fire District remains minimal.

The Fire District incurred additional expenses in 2020 to implement these precautionary measures in response to the pandemic. To offset COVID-related expenses, the Fire District applied for, and received, FEMA Public Assistance COVID-19 grant funding. The FEMA grant will remain open during the pandemic and is currently reimbursing 100% of the fire district's COVID-related expenses including personal protective equipment, sanitation supplies, temporary isolation lodging, and COVID-related overtime. The district has submitted two reimbursement requests totaling \$61,058.27 for 2020 and 2021 expenses.

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

#### **Note 10 - Other Disclosures**

A. City of Wenatchee Annexation: In 2015 the voters in Chelan County Fire District 1 and the City of Wenatchee separately approved the City's annexation into the Fire District; the annexation became effective at the end of July 2015. The annexation greatly increased the number of citizens served by the Fire District and the calls for service. The number of personnel, assessed property values, revenue, and total annual budget also increased greatly as a result of the annexing the city.

B. Douglas County Fire District 2 Interlocal Agreement for Fire Chief Services: On March 1, 2021 the Fire District entered into an Interlocal Agreement with Douglas County Fire District 2 to provide fire chief services and explore the feasibility of forming a Regional Fire Authority (RFA). The term of the Agreement is March 1, 2021 through February 28, 2022. The Fire District shall receive \$6,500 per month for Fire Chief and related administrative services and another \$2,000 per month for coordination and participation in an RFA feasibility study.

C. Potential Disclosure: In January 2021, the Fire District adopted a formal policy regarding Related Party Transactions. Each January the elected and appointed officials and executive management of the fire district will provide information on the business interests for themselves and all members of their household, which could include close members of the family and entities over which you have control, joint control, a key management position, or significant influence. This information will be used to track related-party transactions throughout the year.

**Chelan County Fire Protection District No. 1**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2021**

<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	General Obligation Bonds	12/1/2037	5,245,000	-	230,000	5,015,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>5,245,000</b>	<b>-</b>	<b>230,000</b>	<b>5,015,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		628,616	123,802	-	752,418
264.30	Pension Liabilities		72,435	-	50,221	22,214
264.40	OPEB Liability		2,722,138	-	2,479,146	242,992
263.57	Lease		1,261,342	-	74,014	1,187,328
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>4,684,531</b>	<b>123,802</b>	<b>2,603,381</b>	<b>2,204,952</b>
<b>Total Liabilities:</b>			<b>9,929,531</b>	<b>123,802</b>	<b>2,833,381</b>	<b>7,219,952</b>

**Chelan County Fire Protection District No. 1**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2020**

<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	General Obligation Bonds	12/1/2037	5,465,000	-	220,000	5,245,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>5,465,000</b>	<b>-</b>	<b>220,000</b>	<b>5,245,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		541,330	87,286	-	628,616
264.30	Pension Liabilities		55,890	16,545	-	72,435
264.40	OPEB Liability		2,355,701	366,437	-	2,722,138
263.57	Lease		-	1,336,463	75,121	1,261,342
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,952,921</b>	<b>1,806,731</b>	<b>75,121</b>	<b>4,684,531</b>
<b>Total Liabilities:</b>			<b>8,417,921</b>	<b>1,806,731</b>	<b>295,121</b>	<b>9,929,531</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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