



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Woodinville Fire & Rescue

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

Published February 23, 2023

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

February 23, 2023

Board of Commissioners
Woodinville Fire & Rescue
Issaquah, Washington

Report on Financial Statements

Please find attached our report on Woodinville Fire & Rescue's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive.

Pat McCarthy, State Auditor
Olympia, WA

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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*

Woodinville Fire & Rescue January 1, 2021 through December 31, 2021

Board of Commissioners
Woodinville Fire & Rescue
Issaquah, 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 Woodinville Fire & Rescue, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 14, 2023.

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 audit 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 audit 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 audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control

and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

February 14, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Woodinville Fire & Rescue January 1, 2021 through December 31, 2021

Board of Commissioners
Woodinville Fire & Rescue
Issaquah, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Woodinville Fire & Rescue, as of and for the year ended December 31, 2021, 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 Woodinville Fire & Rescue, and its changes in cash and investments, for the year ended December 31, 2021, 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 Woodinville Fire & Rescue, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit 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 audit. 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.

Matters of Emphasis

As discussed in Note 4 to the 2021 financial statements, the District entered into a contract with Eastside Fire and Rescue to provide fire and emergency medical services effective October 1, 2021. Our opinion is not modified with respect to this matter.

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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023 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, appearing to read "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

February 14, 2023

FINANCIAL SECTION

Woodinville Fire & Rescue January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

Woodinville Fire & Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 General Expense Fund (10-036-0010)	301 Capital Projects Fund (10-036-3020)
Beginning Cash and Investments				
308	Beginning Cash and Investments	23,565,724	22,793,966	771,758
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	9,709,849	9,709,849	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	3,233	3,233	-
340	Charges for Goods and Services	6,014,826	6,014,826	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	690,210	685,517	4,693
Total Revenues:		16,418,118	16,413,425	4,693
Expenditures				
510	General Government	-	-	-
520	Public Safety	15,107,988	15,107,916	72
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		15,107,988	15,107,916	72
Excess (Deficiency) Revenues over Expenditures:		1,310,130	1,305,509	4,621
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	22,300	-	22,300
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		22,300	-	22,300
Increase (Decrease) in Cash and Investments:		1,287,830	1,305,509	(17,679)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	754,078	-	754,078
50891	Unassigned	24,099,479	24,099,479	-
Total Ending Cash and Investments		24,853,557	24,099,479	754,078

The accompanying notes are an integral part of this statement.

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

Woodinville Fire & Rescue (the “District”) was incorporated on August 23, 1948 and operates under the laws of the state of Washington applicable to a fire protection district. The District is a special purpose local government and provides fire prevention, fire suppression, and emergency medical services to the general public.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Note 4 – Component Unit(s), Joint Ventures, and Related Parties*).
- 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 presented using classifications that are similar to the ending balance classification 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:

General (Expense) Fund (King County Fund No. 10-036-0010)

This fund is the primary operating fund of the government. It accounts for all financial resources except those required by State law, or directed by Board resolution, to be accounted for in another fund.

Benefit Charge Fund (King County Fund No. 10-036-0030)

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

This fund accounts for the collection of the fire benefit charges (a special assessment) imposed by the Board pursuant to RCW 52.18. All collections in the fund are automatically transferred to the Expense Fund each month.

Reserve Fund (King County Fund No. 10-036-6010)

This fund accounts for general reserves held for future expenditures or emergencies. These funds can be used for any purpose and are not restricted.

Benefit Liability Reserve Fund (King County Fund No. 10-036-6020)

This fund was created in 2011 to account for the District's encumbered liabilities. These include, but are not limited to, accrued vacation and sick leave, unused balances in Health Reimbursement Arrangement/VEBA ("HRA/VEBA") accounts, or any other employee benefits-related liability of the District.

Capital Project Fund (King County Fund No. 10-036-3020)

This fund accounts for financial resources designated by the Board for the acquisition, design, development, construction, renovation or major repair of capital facilities or other capital assets.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the District also recognizes expenditures paid during the 20 days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 5 – Deposits and Investments.

D. Capital Assets

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

E. Compensated Absences

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

Vacation leave for uniformed, represented employees was scheduled in advance and not accumulated; unused vacation leave is payable upon separation or retirement. Vacation leave for non-uniformed, represented employees was to be used in the year it was accrued; unused vacation leave is payable upon separation or retirement. Vacation leave for exempt employees may be accumulated up to one half of the number of hours accrued in any calendar year; unused vacation leave is payable upon separation or retirement. Sick leave for uniformed and non-uniformed, represented employees may be accumulated with no cap; unused sick leave is payable upon retirement or non-duty related death at \$0.35 on the dollar up to 2000 hours. Should separation be due to a duty-related death, the employee's beneficiary(ies) would receive a dollar-for-dollar payout of any sick leave balance. Sick leave for exempt employees may be accumulated up to 1,040 hours; unused sick leave is payable upon voluntary separation or retirement at cents on a dollar on a graduated scale noted in policy. Payments are recognized as expenditures when paid.

The District contracted for fire and EMS service with Eastside Fire & Rescue ("EFR") effective October 1, 2021. As of October 1, 2021, all employees of the District became employees of Eastside Fire & Rescue and vacation and sick leave rules of EFR were in effect. The District negotiated the effects of this change. Relevant to this note is the payout of sick leave balances to the represented employees at \$0.35 on the dollar who had accumulated hours over 1,440 (the EFR maximum). Vacation leave balances and sick leave balances at or under 1,440 transferred to Eastside Fire & Rescue on October 1, 2021. The District paid EFR \$533,795 as a one-time start-up cost to cover the transferred hours.

F. Long-Term Debt

See Note 6 – Long-term Debt

Note 2 - Budget Compliance

The District adopts an annual appropriated budget for the general fund. The budget is 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.

The annual appropriated budget is adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted 2021 budget was as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variances
General Fund	\$ 15,492,759	\$ 15,107,911	(\$ 384,848)

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 Board of Fire Commissioners.

Note 3 – COVID-19 Pandemic

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

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.

The District proactively implemented safety measures to include restricting access to the headquarters office, canceling public use of the meeting rooms, implementing extra sanitation procedures in all facilities, and having a rotating schedule of office staff working remotely. To date, any financial impacts to the District due to the pandemic have been minimal.

Since October 1, 2021, any employees who had been stationed in the administrative headquarters offices of the District are now working at the headquarters of Eastside Fire & Rescue in Issaquah. Much of the same procedures have been in place at Eastside Fire & Rescue.

Note 4 – Joint Ventures, Component Unit(s), and Related Parties

A. Interlocal Agreement with Eastside Fire & Rescue

On October 1, 2021, Woodinville Fire & Rescue entered into a contract with Eastside Fire & Rescue to provide fire and emergency medical services to the District. The contract is effective through December 31, 2031 and will automatically renew for successive ten-year terms unless written notice of termination is given in January 2029 or in January of the eighth year of any renewal term. Per the contract, all Woodinville Fire & Rescue employees became employees of Eastside Fire & Rescue. In 2021, the District paid Eastside Fire & Rescue a total of \$3,881,540.

B. Interlocal Agreement to form NORCOM

In November of 2007, Woodinville Fire & Rescue, with the cities of Bellevue, Bothell, Clyde Hill, Kirkland, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, and Shoreline Fire Department entered into an inter-local agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the inter-local agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system. Operating revenues are provided by user fees charged to each member based on average call volume. Woodinville Fire & Rescue's share of these fees for 2021 was \$192,807. Additional financial information may be obtained from NORCOM, c/o Finance Manager, P.O. Box 50911, Bellevue, WA 98015-0911.

Note 5 – Deposits and Investments

Investments are reported at fair value. Investments by type at December 31, 2021 are as follows:

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

Type of deposit or investment	District's own deposits and investments	Deposits and investments held by the District as custodian for other local governments, individuals, or private organizations	Total
Local Government Investment Pool	\$24,792,907	\$0.00	\$24,792,907

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

The District has entered into a Cash Management Services Agreement with King County which allows King County to: (a) conduct daily sweeps of the District's cash balances using Zero Balance Accounts and automatically invest such balances in the King County Investment Pool; and (b) credit District bank deposits on date of deposit without regard to check float.

Investments in the King County Investment Pool

The District is a voluntary participant in the King County Investment Pool (KCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at fair value, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

- A. **Impaired Investments.** As of December 31, 2021, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principle is \$3,435 and the District's fair value of these investments is \$2,173.
- B. **Interest Rate Risk.** As of December 31, 2021, the Pool's average duration was 1.24 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.
- C. **Credit Risk.** As of December 31, 2021, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Note 6 – Long-Term Liabilities *(formerly Debt Service Requirements)*

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

The District does not have any long-term debt other than OPEB, Net Pension Liability, and Compensated Absences.

The following table represents the total outstanding long-term liabilities of the District:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Compensated Absences	\$ 1,107,190	\$ 0	\$ 1,107,190	\$ 0
Pension Liability	296,279	0	227,047	69,232
OPEB Liability	2,653,160	0	1,829,803	823,357
Total Long-Term Liabilities	<u>\$ 4,056,629</u>	<u>\$ 0</u>	<u>\$ 3,164,040</u>	<u>\$ 892,589</u>

Note 7 – OPEB Plans

The LEOFF 1 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 one (1) retired member. As of December 31, 2021, the District's total OPEB liability was \$463,637, as calculated using the Office of the State Actuary's Alternative Measurement Method online tool. For the year ended December 31, 2021, the District paid \$8,134.13 in benefits.

The District's Board of Fire Commissioners adopted Resolution 2017-23 establishing a LEOFF 2 Retiree Medical Program (the "Program"). Employees meeting the established criteria for retirement are eligible to receive \$5,520 per year deposited into their HRA/VEBA account. The program allows for a maximum of 17 employees to be participate at any time; there were 11 employees on the program as of December 31, 2020. Program benefits continue until one of the following occurs: the employee reaches age 65; the employee becomes eligible for Medicare; the employee voluntarily withdraws from the Program; or the employee dies. The District has fourteen (14) retired LEOFF 2 plan members for the year ended December 31, 2021. As of December 31, 2021, the District's total OPEB liability was \$359,720 as calculated using the Alternative Measurement Method (GASB 75, Section C, Illustration 5). For the year ended December 31, 2021, the District paid \$60,720 in benefits.

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

Note 8 – Pension Plans

A. State Sponsored Pension Plans

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

- Public Employees' Retirement Systems (PERS)
- Law Enforcement Officers' and Fire Fighters' Retirement Systems (LEOFF)

On October 1, 2021, the District's full-time employees became employees of Eastside Fire & Rescue. However, the District still retains a proportionate share of net pension liabilities as described below.

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.

At 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	\$ 42,227	.005669%	\$ 69,232
PERS 2/3	\$ 69,007	.007285%	\$ (725,703)
LEOFF 1	\$ 0	.001180%	\$ (40,422)
LEOFF 2	\$ 384,141	.192702%	\$ (11,192,930)

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

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.

B. Defined Contribution Pension Plans

The District provides its employees with two options for participation in a defined contribution pension plan as follows:

Deferred Compensation Program (DCP) is a 457(b) deferred compensation plan established through Washington Administrative Code 415-501. The plan administrator is the Washington State Department of Retirement Systems. The District contributes \$300 per month to any full-time employee who participates in this plan; the employee may choose to contribute more within the limits established by the Internal Revenue Service. For the year ended December 31, 2021, the District contributed a total of \$84,600 to employee DCP accounts. Effective October 1, 2021, with the contract for service with Eastside Fire & Rescue, the District was no longer making contributions to employee accounts.

Woodinville Fire & Rescue 457(b) Plan is the second option for the District's employees. Woodinville Fire & Rescue is the plan administrator with all money contributed to the plan held in custodial accounts by Alerus Financial, N.A. The District contributes \$300 per month to any full-time employee who participates in this plan; the employee may choose to contribute more within the limits established by the Internal Revenue Service. For one employee, the Fire Chief, the District matches the dollar amount contributed by the employee, up to the maximum allowable by Internal Revenue Service regulations. For the year ended December 31, 2020, the District contributed a total of \$101,700 to employee Alerus accounts. With the contract with Eastside Fire & Rescue, the Board terminated this plan effective December 31, 2021.

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

Note 9 - Property Tax

The King County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. The King County Treasurer also collects the District's fire benefit charge. Collections are distributed daily by the county to the District.

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

The District's regular levy for the year 2021 was approximately \$0.76574 per \$1,000 on an assessed valuation of \$11,682,870,432 for a total regular levy of \$8,946,077.

The District's fire benefit charge for the year 2021 was approximately \$0.49426 per \$1,000 of the District's total assessed valuation of \$11,682,870,432 for a total of \$5,774,220. The amount assessed to each property owner may vary as the assessment formula is based on square footage and the type of property use.

Note 10 – Risk Management

The District has an unemployment insurance risk and is self-insured through the Washington State Employment Security Department as a "reimbursable employer" meaning the District pays as claims are filed. The District budgets annually for potential unemployment claims based on historical trends; strategic planning as it affects staffing; and current hiring.

The accompanying Local Government Risk Assumption Schedule (21) provides more details of the self-insurance program.

The District has other risks insofar as property, crime, portable equipment, automobile, general liability, and management liability. The District maintains commercial insurance coverage through VFIS, a division of Glatfelter Insurance Group. The annual premiums are included in the District's expense budget. The District takes precautions to avoid claims (*i.e.*, driver training, security cameras, internal controls, etc.) so the expected annual claims are \$0. The District cannot predict vehicle accidents or other losses; however, deductible amounts can be paid with the District's reserves or as an unexpected cost.

The deductibles, for those coverages with deductibles, are as follows:

Name of Insurer	Type of Risk	Deductible
VFIS, a division of Glatfelter Insurance Group	Property (Building and contents)	
	Property	\$ 5,000
	Earthquake	5%
	Flood	\$ 1,000
	Portable Equipment	
	Physical Loss	\$ 1,000
	Automobile	\$ 3,000

Note 11 – Other Disclosures

Woodinville Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2021

HRA/VEBA

The District provides its employees with a medical plan that has a high deductible, currently managed by Northwest Firefighters Trust. The District also provides an HRA/VEBA, administered by Rehn & Associates, to help offset employees' out-of-pocket medical expenses.

As of 1/1/2018 the previous HRA account was changed to an HRA/VEBA. The previous HRA accounts were reimbursable, meaning the District held the annual contributions in the Benefit Liability Reserve Fund and claims were paid as they were submitted. With the new HRA/VEBA, annual employer contributions are deposited into the individual employee accounts at the beginning of the calendar year.

Annual HRA/VEBA employer contributions were set at \$2,478.40 for individual employees and \$5,478.40 for employees on a family plan. Any unused balance in the employee's account at the end of the calendar year remains with the employee (even after s/he leaves the District) until it is fully utilized.

Funds held in the District's Benefit Liability Reserve Fund for unused HRA balances of \$775,900.93 were transferred to the HRA/VEBA broker in early 2018 to be posted to the individual employee accounts.

With the contract with Eastside Fire & Rescue, the funds held in the HRA/VEBA have been transferred to Eastside Fire & Rescue HRA/VEBA vendor.

**Woodinville Fire & Rescue
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,107,190	-	1,107,190	-
264.30	Net Pension Liability		296,279	-	227,047	69,232
264.40	OPEB		2,653,160	-	1,829,803	823,357
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,056,629	-	3,164,040	892,589
Total Liabilities:			4,056,629	-	3,164,040	892,589

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. 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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