



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Snohomish County Fire Protection District No. 26

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

Published March 23, 2023

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

March 23, 2023

Board of Commissioners
Snohomish County Fire Protection District No. 26
Gold Bar, Washington

Report on Financial Statements

Please find attached our report on Snohomish County Fire Protection District No. 26'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

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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*

Snohomish County Fire Protection District No. 26 January 1, 2020 through December 31, 2021

Board of Commissioners
Snohomish County Fire Protection District No. 26
Gold Bar, 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 Snohomish County Fire Protection District No. 26, 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 March 15, 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 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 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

March 15, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Snohomish County Fire Protection District No. 26 January 1, 2020 through December 31, 2021

Board of Commissioners
Snohomish County Fire Protection District No. 26
Gold Bar, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Snohomish County Fire Protection District No. 26, 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 Snohomish County Fire Protection District No. 26, 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 Snohomish County Fire Protection District No. 26, 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 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.

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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 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, 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

March 15, 2023

FINANCIAL SECTION

Snohomish County Fire Protection District No. 26 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 Financial Statements – 2021

Notes to Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

Schedule of Liabilities – 2020

Snohomish County Fire Protection District No. 26
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

Beginning Cash and Investments

308	Beginning Cash and Investments	1,709,211
388 / 588	Net Adjustments	-

Revenues

310	Taxes	1,332,821
320	Licenses and Permits	-
330	Intergovernmental Revenues	657,543
340	Charges for Goods and Services	1,296,606
350	Fines and Penalties	-
360	Miscellaneous Revenues	28,819
Total Revenues:		3,315,789

Expenditures

510	General Government	-
520	Public Safety	2,853,445
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		2,853,445
Excess (Deficiency) Revenues over Expenditures:		462,344

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	31,913
Total Other Increases in Fund Resources:		31,913

Other Decreases in Fund Resources

594-595	Capital Expenditures	569,560
591-593, 599	Debt Service	112,167
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		681,727

Increase (Decrease) in Cash and Investments: (187,470)

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	418,796
50841	Committed	-
50851	Assigned	-
50891	Unassigned	1,102,758
Total Ending Cash and Investments		1,521,554

Snohomish County Fire Protection District No. 26
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

Beginning Cash and Investments

308	Beginning Cash and Investments	1,465,251
388 / 588	Net Adjustments	-

Revenues

310	Taxes	1,191,891
320	Licenses and Permits	-
330	Intergovernmental Revenues	825,960
340	Charges for Goods and Services	1,216,353
350	Fines and Penalties	-
360	Miscellaneous Revenues	29,504
Total Revenues:		3,263,708

Expenditures

510	General Government	-
520	Public Safety	2,582,245
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		2,582,245
Excess (Deficiency) Revenues over Expenditures:		681,463

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	136,069
Total Other Increases in Fund Resources:		136,069

Other Decreases in Fund Resources

594-595	Capital Expenditures	461,404
591-593, 599	Debt Service	112,168
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		573,572

Increase (Decrease) in Cash and Investments: 243,960

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	439,081
50841	Committed	-
50851	Assigned	-
50891	Unassigned	1,270,130
Total Ending Cash and Investments		1,709,211

Note 1 - Summary of Significant Accounting Policies

Snohomish County Fire Protection District 26 was incorporated in 1968 and operates under the laws of the state of Washington applicable to a fire district. Snohomish County Fire Protection District 26 is a special purpose local government and provides fire protection services, fire suppression services, emergency medical and protection of life and property.

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 5 – Joint Ventures, Component Unit(s), 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 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 (Current Expense) Fund

This fund is the primary operating fund of the District. 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 4 Deposits and Investments

D. Capital Assets

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

E. Compensated Absences

Employees may accumulate up to 120 hours of vacation time at the end of each year. Employees may accumulate up to 1400 hours of sick leave. Upon separation or retirement employees receive payment for unused sick leave at 50% of their hourly rate of pay, and 100% of their hourly rate of pay for unused vacation. The District's estimated liability for sick leave termination benefits and compensatory time on December 31, 2021 totaled \$76,125.91.

F. Long-Term Debt

See Note 6 Long-Term Debt

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the lender or due to internal commitments established by the board of commissioners by resolution. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of a GO Bond account utilized for automatic payments made by Snohomish County Finance to the lender, and a Construction Fund dedicated to station capital improvements.

Note 2 - Budget Compliance

The district adopts an annual appropriated budget for the general fund. This 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. As the district is not required under Washington state law to stay within appropriated budgets, budget amendments are not formally adopted. Additional spending is typically the result of additional revenues received from such activities as State Mobilization that were not originally budgeted.

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 budget were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Total General Fund	\$ 3,271,000	\$ 3,535,172	\$ 264,172

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

Note 3 – 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.

The district faced difficulty with staffing due to quarantining, illness, vaccine refusal, and unanticipated costs for personal protective equipment (PPE) and other cleaning and personnel spacing purchases. The district received some PPE reimbursement from a FEMA PA grant and received PPE from Snohomish County Chiefs' Association.

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

Note 4 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type on December 31, 2021 are as follows:

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
Bank deposits	\$ 374,648	\$0	\$ 374,648
Local Government Investment Pool	\$ 1,146,906	\$0	\$ 1,146,906
Total	\$ 1,521,554	\$0	\$ 1,521,554

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

Investments in the State Local Government Investment Pool (LGIP)

The district 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.

Custodial Credit Risk

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

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

Note 5 – Joint Ventures, Component Unit(s), and Related Parties

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

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties of this Agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five (5) years bears to the

total of all then remaining Principals' User Fees paid during such five-year period. Before deducting the payment of all costs, expenses and charges validly incurred, the district's share was \$71,550 on December 31, 2021.

Snohomish County 911's 2021 operating budget was \$24,429,390, operating revenues received were \$25,450,056 and total operating expenditures were \$23,395,721. Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

Note 6 – Long-Term Debt

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

The debt service requirements for general obligation bonds, revenue bonds and capital leases are as follows:

Year	Principal	Interest	Total
2022	\$41,065	\$26,220	\$67,285
2023	\$42,539	\$24,745	\$67,285
2024	\$44,066	\$23,219	\$67,285
2025	\$45,648	\$21,637	\$67,285
2026	\$47,287	\$19,998	\$67,285
2027 - 2031	\$263,149	\$73,275	\$336,424
2032 - 2035	\$246,615	\$22,524	\$269,139
Total	\$730,369	\$211,618	\$941,988

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all 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 LEOFF 2, PERS 1 and PERS 2/3.

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.

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

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	2,473	.000332%	4,054
PERS 2/3	4,030	.000425%	(42,337)
LEOFF 2	4,641.52	.002328%	(135,220)
VFFRPF	870	.45%	(98,418.41)

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.

Defined Contribution Pension Plans

The district contributes 5% of annual salary for full time employees to a DRS Deferred Compensation Plan.

Plan	Employer Contributions
DRS DCP	\$7,293.24

Note 8 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed during the month as they are received and reported after the end of each month.

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

The district's property tax levies for the year 2021 were as follows:

Levy	Assessed Value	Rate per \$1,000 Assessed Value	Total Levy
Regular	671,133,505	1.5000	1,006,700
EMS	688,634,305	.3782	260,434
GO Bond	546,920,546	.1310	71,624.46

Note 9 – Risk Management

Policy holders pay an annual premium to VFIS, in lieu of a membership assessment. VFIS is responsible for payment of all covered causes of loss against Snohomish County Fire District 26 above the stated deductible, if any. Portable equipment, real, and personal property are covered at either actual cash value, replacement cost, or guaranteed replacement cost. VFIS does provide General, Automobile and Management liability on an "Occurrence" and/or "Claims-made" basis, which are subject to a "follow form" umbrella, if elected. The most common sub-limit of liability starts at \$1M, while aggregate limits may reach as high as \$20M.

Note 10 – Other

The District has one underground fuel storage tank. Under state law, the District is required to decommission the tank. The District has decommissioned the tank and is not aware of any ground contamination with fuel. However, the District is planning to remove the tank as part of plans to develop the location in 2023. At this time, the District is not aware of any liability to clean up the site.

Note 11 – Other

The District has been audited by the IRS and has an additional liability for unpaid FICA from 2021. The amount is estimated at \$120,000 to \$130,000 but a final amount has not been determined. This liability will be assessed in 2023.

Note 1 - Summary of Significant Accounting Policies

Snohomish County Fire Protection District 26 was incorporated in 1968 and operates under the laws of the state of Washington applicable to a fire district. Snohomish County Fire Protection District 26 is a special purpose local government and provides fire protection services, fire suppression services, emergency medical and protection of life and property.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (see note to the financial statements)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the District. 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 only when cash is received, and expenditures are recognized when paid.

C. Cash and Investments

See Note 2 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 one year. The capital assets of the District and are recorded as expenditures when purchased.

E. Compensated Absences

Employees may accumulate up to 120 hours of vacation time at the end of each year. Employees may accumulate up to 1400 hours of sick leave. Upon separation or retirement employees receive payment for unused sick leave at 50% of their hourly rate of pay, and 100% of their hourly rate of pay for unused vacation. The District's estimated liability for sick leave termination benefits and compensatory time on December 31, 2020 totaled \$66,334.

F. Long-Term Debt

See Note 5 Debt Service Requirements

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the lender or due to internal commitments established by the board of commissioners by resolution. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of a GO Bond account utilized for automatic payments made by Snohomish County Finance to the lender.

Note 2 - Budget Compliance

The district adopts an annual appropriated budget for the general fund. This 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. As the district is not required under Washington state law to stay within appropriated budgets, budget amendments are not formally adopted. Additional spending is typically the result of additional revenues received from such activities as State Mobilization that were not originally budgeted.

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 budget were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Total General Fund	\$ 2,969,260	\$ 3,155,817	\$ 186,557

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

Note 3 – Component Unit(s), Joint Ventures, and Related Parties

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

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties of this Agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five (5) years bears to the total of all then remaining Principals' User Fees paid during such five-year period. Before deducting the payment of all costs, expenses and charges validly incurred, the district's share was \$78,080 on December 31, 2020.

Snohomish County 911's 2020 operating budget was \$24,575,191, operating revenues received were \$24,057,771 and total operating expenditures were \$23,917,807. Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

Note 4 – COVID-19 Pandemic

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

The district faced some difficulty with staffing due to quarantined and potentially ill personnel, and unanticipated costs for personal protective equipment (PPE) and other cleaning and personnel spacing

purchases. The district received some PPE reimbursement from a FEMA PA grant, and received PPE from Snohomish County Emergency Management.

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

Note 5 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2020 are as follows:

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
Bank deposits	\$ 334,333	\$0	\$ 334,333
Local Government Investment Pool	\$ 1,374,878	\$0	\$ 1,374,878
Total	\$ 1,709,211	\$0	\$ 1,709,211

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

Investments in the State Local Government Investment Pool (LGIP)

The district 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.

Custodial Credit Risk

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

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

Note 6 – Long-Term Debt

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

The debt service requirements for general obligation bonds, revenue bonds and capital leases are as follows:

Year	Principal	Interest	Total
2021	\$83,429	\$28,738	\$112,167
2022	\$41,065	\$26,220	\$67,285
2023	\$42,539	\$24,745	\$67,285
2024	\$44,066	\$23,219	\$67,285
2025	\$45,648	\$21,637	\$67,285
2026 - 2030	\$254,029	\$82,394	\$336,423
2031 - 2035	\$303,021	\$33,402	\$336,423
Total	\$813,797	\$240,355	\$1,054,153

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all 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 LEOFF 2, PERS 1 and PERS 2/3.

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

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.

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

At 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:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	2397	.000331%	11686
PERS 2/3	3989	.000433%	5538
PSERS 2			
LEOFF 1			
LEOFF 2	4108.05	.210000%	(42,836.93)
VFFRPF	1470	.76%	(266,681.08)

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.

Defined Contribution Pension Plans

The district contributes 5% of annual salary for full time employees to a DRS Deferred Compensation Plan.

Plan	Employer Contributions
DRS DCP	\$6535.07

Note 8 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed during the month as they are received and reported after the end of each month.

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

The district's property tax levies for the year 2020 were as follows:

Levy	Assessed Value	Rate per \$1,000 Assessed Value	Total Levy
Regular	622,510,406	1.2023	748,443
EMS	639,921,406	.3983	254,869
GO Bond	513,156,778	.1391	71,383
M & O	634,649,231	.1852	117,544

Note 9 – Risk Management

Policy holders pay an annual premium to VFIS, in lieu of a membership assessment. VFIS is responsible for payment of all covered causes of loss against Snohomish County Fire District 26 above the stated deductible, if any. Portable equipment, real, and personal property are covered at either actual cash value, replacement cost, or guaranteed replacement cost. VFIS does provide General, Automobile and Management liability on an "Occurrence" and/or "Claims-made" basis, which are subject to a "follow form" umbrella, if elected. The most common sub-limit of liability starts at \$1M, while aggregate limits may reach as high as \$20M.

Note 10 – Other

The District has one underground fuel storage tank. Under state law, the District is required to decommission the tank. The District has decommissioned the tank and is not aware of any ground contamination with fuel. However, the District is planning to remove the tank as part of plans to develop the location in 2023. At this time, the District is not aware of any liability to clean up the site.

Note 11 – Other

The District has been audited by the IRS and has an additional liability for unpaid FICA from 2020. The amount is estimated at \$120,000 to \$130,000 but a final amount has not been determined. This liability will be assessed in 2023.

Snohomish County Fire Protection District No. 26
Schedule of Liabilities
For the Year Ended December 31, 2021

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Fire Engines	12/1/2035	770,009	-	39,641	730,368
251.11	Medic Units	6/1/2021	43,788	-	43,788	-
Total General Obligation Debt/Liabilities:			813,797	-	83,429	730,368
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		65,188	10,938	-	76,126
264.30	Pension Liabilities		17,224	4,054	-	21,278
Total Revenue and Other (non G.O.) Debt/Liabilities:			82,412	14,992	-	97,404
Total Liabilities:			896,209	14,992	83,429	827,772

Snohomish County Fire Protection District No. 26
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Fire Engines	12/1/2035	808,277	-	38,268	770,009
263.51	Medic Units	6/1/2021	85,440	-	41,652	43,788
Total General Obligation Debt/Liabilities:			893,717	-	79,920	813,797
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liabilities		15,854	1,370	-	17,224
259.12	Compensated Absences		60,208	6,126	-	66,334
Total Revenue and Other (non G.O.) Debt/Liabilities:			76,062	7,496	-	83,558
Total Liabilities:			969,779	7,496	79,920	897,355

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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