



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

North Mason Regional Fire Authority

For the period January 1, 2023 through December 31, 2023

Published September 5, 2024

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

September 5, 2024

Board of Commissioners
North Mason Regional Fire Authority
Belfair, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on North Mason Regional Fire Authority's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Mason Regional Fire Authority January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of North Mason Regional Fire Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the Authority’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Authority.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Authority’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
93.498	COVID – 19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Authority did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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*

North Mason Regional Fire Authority January 1, 2023 through December 31, 2023

Board of Commissioners
North Mason Regional Fire Authority
Belfair, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North Mason Regional Fire Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated August 28, 2024.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described 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 Authority'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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

August 28, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

North Mason Regional Fire Authority January 1, 2023 through December 31, 2023

Board of Commissioners
North Mason Regional Fire Authority
Belfair, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of North Mason Regional Fire Authority, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority 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 opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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

August 28, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

North Mason Regional Fire Authority January 1, 2023 through December 31, 2023

Board of Commissioners
North Mason Regional Fire Authority
Belfair, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of North Mason Regional Fire Authority, as of and for the year ended December 31, 2023, 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 Authority 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 North Mason Regional Fire Authority, and its changes in cash and investments, for the year ended December 31, 2023, 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 North Mason Regional Fire Authority, as of December 31, 2023, 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 Authority, 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 Authority 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 Authority'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 Authority'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 Authority'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 an opinion on the financial statements that collectively comprise the Authority's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also 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 August 28, 2024 on our consideration of the Authority'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 Authority'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 Authority'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

August 28, 2024

FINANCIAL SECTION

North Mason Regional Fire Authority January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to the Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

North Mason Regional Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 General Expense Fund	200 Bond Fund	300 Construction Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,017,412	3,549,565	65,005	402,842
388 / 588	Net Adjustments	1,059	1,059	-	-
Revenues					
310	Taxes	3,953,720	3,407,910	545,810	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,130,894	1,123,575	7,319	-
340	Charges for Goods and Services	753,438	753,438	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	182,929	175,439	2,814	4,676
Total Revenues:		6,020,981	5,460,362	555,943	4,676
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	5,296,226	5,296,226	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		5,296,226	5,296,226	-	-
Excess (Deficiency) Revenues over Expenditures:		724,755	164,136	555,943	4,676
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	53,317	48,261	5,056	-
Total Other Increases in Fund Resources:		53,317	48,261	5,056	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	508,911	126,378	-	382,533
591-593, 599	Debt Service	537,488	386	537,102	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	436	436	-	-
Total Other Decreases in Fund Resources:		1,046,835	127,200	537,102	382,533
Increase (Decrease) in Cash and Investments:		(268,763)	85,197	23,897	(377,857)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	113,886	-	88,901	24,985
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	3,635,816	3,635,816	-	-
Total Ending Cash and Investments		3,749,702	3,635,816	88,901	24,985

The accompanying notes are an integral part of this statement.

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The North Mason Regional Fire Authority was incorporated on January 1, 2014, and operates under the laws of the state of Washington applicable to a fire authority. The Authority is a special purpose local government and provides fire protection and emergency medical services to the local public.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Notes 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position 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:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds

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

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

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

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 \$5000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to any amount. We only payout a maximum of 240 hours, payable upon permanent separation (resignation, retirement, layoff, discharge, death). Employees may earn compensation time in lieu of overtime pay at a rate of one and one-half (1 ½) hours per one (1) hour worked. Employees cannot exceed 480 hours of accrued compensation leave. Compensated leave hours up to 480 are paid out upon permanent separation. Sick leave may be accumulated up to 1300 hours for union employees and administrative staff. One quarter (1/4) of sick leave accrued is paid to an employee upon retirement. Sick leave may accrue to a maximum of 1072 hours for both the Fire Chief and Assistant Chief. Upon separation or retirement from the Authority, the Fire Chief and Assistant Chief receive payment for half (1/2) of unused sick leave. Payments are recognized as expenditures when paid. Total calculated cost of compensated absences for 2023, as listed on the schedule 9 is \$468,118.

F. Long-Term Debt

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

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by North Mason Regional Fire Authority Board of Fire Commissioners. When expenditures that meet restrictions are incurred, the authority intends to use the most restricted resources first.

The combined total of restricted and committed balances for the Fire Authority as of December 31, 2023, was \$113,886.13.

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

Note 2 - Budget Compliance

The Authority adopts annual appropriated budgets for three funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total General Fund	\$ 9,563,372.24	\$5,423,884.98	\$ 4,139,487.26
Construction	\$ 400,000.00	\$ 382,532.67	\$ 17,467.33
Bond	\$ 580,000.00	\$ 537,101.56	\$ 42,898.44

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

Total General Fund Variance: Authority revenues exceeded final appropriated expectation and are carried over to the following budget year.

Construction Fund Variance: the final appropriated amount represents the balance within the construction fund on January 1, 2023. Actual expenditures represent payments made for construction costs during the year 2023. The variance represents final construction costs that were carried over and made in 2024.

Bond Fund Variance: the variance represents funds that were collected and in excess of bond payments made in 2023. The variance is rolled over into 2024 to be used for 2024 bond payments.

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 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 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.

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

During fiscal year 2022, the Authority received a total of \$672,653.06 in provider relief funding from the US Department of Health and Human Services. The reporting requirement of these funds is such that we must add to our 2023 annual report vs 2022.

Note 4 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type on December 31, 2023, are as follows:

Type of Deposit or Investment	Balance
Deposits held by Mason County as custodian for the North Mason Regional Fire Authority	\$418,297.40
WA State Investment Pool - Expense	\$3,301,536.99
WA State Investment Pool - Construction	\$24,867.90
North Mason Regional Fire Authority's own deposits	\$5000.00
Total	\$3,749,702.29

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

Investments in (county investment pool)

The Authority is a voluntary participant in the county investment pool, 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 Authority reports its investment in the pool at fair value, which is the same as the value of the pool per share. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Authority 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 Authority'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 Authority or its agent in the government's name.

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

Note 5 – Leases (Lessees)

The North Mason Regional Fire Authority has two current leases for equipment and real property. The Authority leases a postage meter through Pitney Bowes, which is an 18-month lease that began on 2/3/22. The Authority makes a quarterly lease payment of \$61.85. This lease ended December 2023. The newest 63-month lease was first billed in December 2023, and we will make payments \$56.31 quarterly (\$18.77 per month). The second lease is for real property that is used as a fire station and sits at 9550 NE Belfair Tahuya Rd. This is a 10-year lease that began on 8/15/21. The Authority pays \$200 per year and any additional taxes assessed for this lease.

Year ended December 31	Total
2024	425
2025	425
2026	425
2027	425
2028	425
2029-2033	656
Total	2,781

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

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Authority and summarizes the Authority's debt transactions for year ended December 31, 2023. The Authority made the principal payment of \$270,000 in 2023 leaving an ending balance due of \$7,830,000.

The debt service requirements for general obligation bonds are as follows:

Period Ending	Principal	Interest	Annual Payment Total
2024	290,000	255,950	545,950
2025	315,000	244,350	559,350
2026	335,000	231,750	566,750
2027	360,000	218,350	578,350
2028	390,000	203,950	593,950
2029-2033	2,350,000	792,250	3,142,250
2034-2038	3,075,000	393,450	3,468,450
2039	715,000	21,450	736,450
	7,830,000	2,361,500	10,191,500

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

Unused Lines of Credit

At fiscal year-end, the Authority had total of \$14,833.68 available in unused lines of credit in the form of two credit card accounts. Kitsap Bank Visa accounted for \$9,833.68 and Lowe's accounted for \$5000.00.

Note 7 – Other Postemployment Benefits (OPEB Plans)

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the Authority. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2023, the plan had one member, who is retired. As of December 31, 2023, the Authority's total OPEB liability was \$459,169, as calculated using the alternative measurement method. For the year ended December 31, 2023, the district paid \$7285.80 in benefits.

The Fire Authority maintains an individual health retirement account (HRA) for all full-time employees. The plan is a defined contribution and administered by the VEBA Trust. All contributions to the HRA are made by the Authority. There are no employee contributions to the plan. As of December 31, 2023, the plan includes twenty-eight (28) active employee participants and zero (0) retired employees. The annual employer contribution for 2023 was \$167,118.09. \$5500 per year is contributed to employees that are married with children; \$4500 is contributed for married employees with no children; and \$2500 is contributed to single employees. Firefighters are eligible for additional contributions on their behalf that equals a full year's employee-only medical premium and 50% of the medical premium for spouse and children. The HRA allows employees to use funds for medical costs that are not covered by their insurance, for example co-payments or pharmacy costs. Employees may use up to \$5000 per day, with limitation. Additionally, the account is theirs to keep upon retirement or separation of employment. Employees are authorized to receive an additional \$500 annual contribution on their behalf as an incentive to complete their annual Healthy In / Healthy Out physical.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the Authority's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: LEOFF 1, LEOFF 2, PERS 1, PERS 2, PERS 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 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:

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

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.

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

At June 30, 2023 (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 Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	\$ 7,257	0.00106500%	2,282,732,000	\$ 24,311	
PERS 2/3	\$ 12,067	0.00137200%	(4,098,683,000)		\$ (56,234)
LEOFF 1	\$ -	0.00297000%	(2,968,024,000)		\$ (88,150)
LEOFF 2	\$ 131,299	0.05817000%	(2,398,598,000)		\$ (1,395,264)
VFFRPF	\$ 30	0.020000%			\$ (3,433)
		<i>Totals</i>		\$ 24,311	\$ (1,543,082)

LEOFF Plan 1

The Authority 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 Authority 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.

North Mason Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2023

Note 9 - Property Tax

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

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

The North Mason Regional Fire Authority's regular levy for the year 2023 was \$0.937608 per \$1,000 on an assessed valuation of \$2,683,669,507 for a total regular levy of \$2,516,231.50.

The North Mason Regional Fire Authority's regular EMS Levy for the year 2023 was \$0.330217 per \$1,000 on an assessed valuation of \$2,738,798,535 for a total regular EMS levy of \$904,398.54.

The North Mason Regional Fire Authority's Excess Levy for the year 2023 was 0.211402 per \$1,000 on an assessed valuation of \$2,743,585,902 for a total excess levy of \$580,000.00.

Note 10 – Risk Management

The North Mason Regional Fire Authority purchases an insurance coverage policy through VFIS. The policy provides risk management and coverage for auto, crime, property, portable equipment, health care liability, general liability, management liability, medical malpractice, and excess liability. Excess liability coverage provides maximum coverage of \$6,000,000 per occurrence and \$12,000,000 annual aggregate.

Note 11 – SBITA (Lessees)

During 2023, the district adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability reported on the Schedule of Liabilities.

The North Mason Regional Fire Authority has agreements for security monitoring of our fire stations, #21 and #23. Each contract is for three years with a cost of \$70 per month. Station #21's contract began June 2022, Station #23's contract began July 2023. We also have a three-year contract with ESO for our emergency reporting program. This contract has a cost of \$13,360 per year and began November 2022. Lastly, we have a six-year contract with PSTrax, which began June 2020 with a cost of \$6175 per year. PSTrax is an inventory management software system.

Year ended	
December 31	Total
2024	21,215
2025	20,795
2026	490
<i>Total</i>	<i>42,500</i>

**North Mason Regional Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	UTGO Bond	12/1/2039	8,100,000	-	270,000	7,830,000
Total General Obligation Debt/Liabilities:			8,100,000	-	270,000	7,830,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absenses		446,099	22,019	-	468,118
264.30	Net Pension Liabilities		31,686	-	7,375	24,311
264.40	OPEB Liabilities		452,354	6,815	-	459,169
263.57	Postage Machine	12/18/2023	186	-	186	-
263.57	St 82 Land	8/15/2031	1,600	-	200	1,400
263.57	Intellisystems St. 21	5/31/2025	2,100	-	840	1,260
263.57	Intellisystems St. 23	6/30/2026	2,520	-	350	2,170
263.57	ESO	11/2/2025	40,080	-	13,360	26,720
263.57	PSTrax	6/23/2026	18,525	-	6,175	12,350
Total Revenue and Other (non G.O.) Debt/Liabilities:			995,150	28,834	28,486	995,498
Total Liabilities:			9,095,150	28,834	298,486	8,825,498

**North Mason Regional Fire Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Mason County)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-077	203,413	-	203,413	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		-	672,653	672,653	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044		-	119,206	119,206	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044		-	51,100	51,100	-	
Total ALN 97.044:				-	170,306	170,306	-	
Total Federal Awards Expended:				203,413	842,959	1,046,372	-	

North Mason Regional Fire Authority

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2023

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting the North Mason Regional Fire Authority's financial statements. The North Mason Regional Fire Authority uses the Cash Basis for Accounting.

Note 2 – Federal Indirect Cost Rate

The North Mason Regional Fire Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The amount expended includes \$0 claimed as an indirect cost recovery using an approved indirect cost rate of 0 percent.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the North Mason Regional Fire Authority's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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