



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **North County Regional Fire Authority**

**(North County Fire & EMS)**

**For the period January 1, 2021 through December 31, 2022**

*Published October 28, 2024*

Report No. 1035799



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

October 28, 2024

Board of Commissioners  
North County Fire & EMS  
Stanwood, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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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*

#### **North County Fire & EMS January 1, 2021 through December 31, 2022**

Board of Commissioners  
North County Fire & EMS  
Stanwood, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North County Fire & EMS, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated October 22, 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 audits 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.

We noted certain other matters that we have reported to the management of the Authority in a separate letter dated October 22, 2024.

## **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

October 22, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **North County Fire & EMS January 1, 2021 through December 31, 2022**

Board of Commissioners  
North County Fire & EMS  
Stanwood, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of North County Fire & EMS, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the 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 County Fire & EMS, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of North County Fire & EMS, as of December 31, 2022 and 2021, 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 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.

## **Matters of Emphasis**

As discussed in Note 7 to the 2021 financial statements, the Authority annexed the fire department of the City of Arlington effective August 1, 2021. The Authority received the remainder of the assets and liabilities from the department. As a result, the Authority's 2021 financial statements present financial information including the fire department activity for only the period from August 1, 2021 through December 31, 2021. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The Schedule of Liabilities is presented

for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

October 22, 2024

## **FINANCIAL SECTION**

### **North County Fire & EMS January 1, 2021 through December 31, 2022**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2022  
Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022  
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Notes to the Financial Statements – 2022  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2022  
Schedule of Liabilities – 2021

**North County Regional Fire Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Total for All Funds (Memo Only)</b>	<b>001 NCRFA GENERAL FUND</b>	<b>201 GO BOND 2020</b>	<b>202 GO BOND 2022</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	11,397,368	5,066,895	36,666	-
388 / 588	Net Adjustments	2,090	2,090	-	-
<b>Revenues</b>					
310	Taxes	14,670,387	14,670,387	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	3,192,562	3,192,562	-	-
340	Charges for Goods and Services	3,074,646	3,074,646	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	424,702	133,579	16,732	-
Total Revenues:		21,362,297	21,071,174	16,732	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	19,823,830	16,604,454	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		19,823,830	16,604,454	-	-
Excess (Deficiency) Revenues over Expenditures:		1,538,467	4,466,720	16,732	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	4,900,940	-	-	-
397	Transfers-In	1,407,527	600,000	293,115	314,412
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	880	880	-	-
Total Other Increases in Fund Resources:		6,309,347	600,880	293,115	314,412
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,205,661	995,018	-	-
591-593, 599	Debt Service	750,327	-	346,513	314,412
597	Transfers-Out	1,407,527	1,407,527	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,363,515	2,402,545	346,513	314,412
<b>Increase (Decrease) in Cash and Investments:</b>		<b>4,484,299</b>	<b>2,665,055</b>	<b>(36,666)</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	5,801,566	-	-	-
50841	Committed	2,348,151	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	7,734,040	7,734,040	-	-
<b>Total Ending Cash and Investments</b>		<b>15,883,757</b>	<b>7,734,040</b>	<b>-</b>	<b>-</b>

*The accompanying notes are an integral part of this statement.*

**North County Regional Fire Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>301 RESERVE FUND (CASH)</b>	<b>302 TRAINING CENTER CONSTRUCTIO</b>
<b>Beginning Cash and Investments</b>			
308	Beginning Cash and Investments	2,289,961	4,003,846
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	158,700	115,691
Total Revenues:		158,700	115,691
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	465	3,218,911
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		465	3,218,911
Excess (Deficiency) Revenues over Expenditures:		158,235	(3,103,220)
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	4,900,940
397	Transfers-In	200,000	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		200,000	4,900,940
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	210,643	-
591-593, 599	Debt Service	89,402	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		300,045	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>58,190</b>	<b>1,797,720</b>
<b>Ending Cash and Investments</b>			
50821	Nonspendable	-	-
50831	Restricted	-	5,801,566
50841	Committed	2,348,151	-
50851	Assigned	-	-
50891	Unassigned	-	-
<b>Total Ending Cash and Investments</b>		<b>2,348,151</b>	<b>5,801,566</b>

*The accompanying notes are an integral part of this statement.*

**North County Regional Fire Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 NCRFA GENERAL FUND</b>	<b>201 GO BOND 2020</b>	<b>301 RESERVE FUND (CASH)</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	10,035,150	3,617,091	20,165	2,107,976
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	7,711,469	7,711,469	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	3,694,172	3,694,172	-	-
340	Charges for Goods and Services	1,739,101	1,739,101	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	761,818	686,564	46,301	28,953
Total Revenues:		13,906,560	13,831,306	46,301	28,953
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	11,363,219	11,362,820	300	92
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		11,363,219	11,362,820	300	92
Excess (Deficiency) Revenues over Expenditures:		2,543,341	2,468,486	46,001	28,861
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	659,280	-	346,400	153,125
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	7,048	7,048	-	-
Total Other Increases in Fund Resources:		666,328	7,048	346,400	153,125
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	841,774	395,954	-	-
591-593, 599	Debt Service	346,400	-	346,400	-
597	Transfers-Out	659,280	629,780	29,500	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,847,454	1,025,734	375,900	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,362,215</b>	<b>1,449,800</b>	<b>16,501</b>	<b>181,986</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,003,846	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,326,627	-	36,666	2,289,961
50891	Unassigned	5,066,895	5,066,895	-	-
<b>Total Ending Cash and Investments</b>		<b>11,397,368</b>	<b>5,066,895</b>	<b>36,666</b>	<b>2,289,961</b>

*The accompanying notes are an integral part of this statement.*

**North County Regional Fire Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>302 TRAINING CENTER CONSTRUCTIO</b>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	4,289,918
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		-
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	7
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		7
Excess (Deficiency) Revenues over Expenditures:		(7)
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	159,755
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		159,755
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	445,820
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		445,820
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(286,072)</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	-
50831	Restricted	4,003,846
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b>4,003,846</b>

*The accompanying notes are an integral part of this statement.*

**North County Regional Fire Authority**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Custodial</b>
308	Beginning Cash and Investments	174,661
388 & 588	Net Adjustments	-
310-390	Additions	212,251
510-590	Deductions	270,733
	Net Increase (Decrease) in Cash and Investments:	(58,482)
508	Ending Cash and Investments	116,180

*The accompanying notes are an integral part of this statement.*



**North County Regional Fire Authority**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Custodial</b>
308	Beginning Cash and Investments	366,295
388 & 588	Net Adjustments	-
310-390	Additions	10,471
510-590	Deductions	202,103
	Net Increase (Decrease) in Cash and Investments:	(191,632)
508	Ending Cash and Investments	174,661

*The accompanying notes are an integral part of this statement.*

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

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

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

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

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

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (*see Note 4 – Component Unit(s), Joint Ventures, and Related Parties*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances 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 Fire Authority are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and

Notes to the Financial Statements  
For the year ended December 31, 2022

investments, revenues and expenditures. The Fire Authority's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

General Funds

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

Debt Service Funds

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

Capital Projects Funds

This fund is used to account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

**PROPRIETARY FUND TYPES:**

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

Notes to the Financial Statements  
For the year ended December 31, 2022

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 3 – *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation pay may be accumulated up to 240 hours for employees covered under the International Association of Firefighters (IAFF) Local 3438 contract, and is payable upon separation or retirement. At December 31, 2022 the Fire Authority's estimated liability for vacation pay was \$587,117. Payments are recognized as expenditures when paid.

Upon separation or retirement employees covered under the IAFF agreement receive compensation for up to 500 for unused sick leave. At December 31, 2022 the Fire Authority's estimated liability for all sick leave pay was \$1,127,205. Payments are recognized as expenditures when paid.

Non-represented employees' vacation leave hours may be accumulated and are payable upon separation or retirement. At December 31, 2022 the Fire Authority's estimated liability for vacation pay was \$187,063. Payments are recognized as expenditures when paid.

Non-represented employees' sick leave hours may be accumulated and are possibly payable upon separation or retirement based on individual employee contracts and the amount of notification given before separating employment with North County.

F. Long-Term Debt –

See Note 5, *Long Term Debt*

Notes to the Financial Statements  
For the year ended December 31, 2022

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 the commission. 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 the proceeds for the 2020 GO Bond Issuance of \$5.5 Million which is to be used for the purchase of two fire trucks and the development and construction of a training center and the reserves in the Capital Reserve Fund.

**Note 2 – Budget Compliance**

The Fire Authority adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The appropriated and actual expenditures for the General Fund operating budget were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 General	20,823,030	18,965,684	1,857,346	Underspent capital items and vacant positions
004 Reserve Fund Cash	-	-	-	
005 Employee Leave Reserve	100,000	41,315	58,685	Did not pay out as much as expected
201 GO Bond 2020	347,000	346,513	487	
202 GO Bond 2022	314,413	314,412	1	
301 Capital Reserve	337,959	300,510	37,449	Did not spend as much as expected
401 Training Center	8,739,418	3,218,911	5,520,507	Construction of training center delayed by permitting
633 Snohomish County EMS	300,000	270,733	29,267	Did not spend as much as expected

RCW 52.16.070 provides that the Fire Authority shall not expend funds in any year that exceed its available resources. For the 2022 calendar year, total expenditures did not exceed available resources.

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

### **Note 3 – Deposits and Investments**

Investments are reported at fair value. Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments	Deposits & investments held by the (City,Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	4,417,425	249	4,417,674
Local Government Investment Pool	9,819,464	115,932	9,935,396
Snohomish County Investment Pool	1,641,453		1,641,453
<i>Totals</i>	15,878,342	116,180	15,994,522

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

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

#### **Investments in Snohomish County investment pool**

The Authority is a voluntary participant in the Snohomish 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/disclose any liquidity fees or redemption gates.

#### **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.

The Fire Authority's investments are held by the Snohomish County Treasurer as its agent in the Fire Authority's name. At December 31, 2022 the Fire Authority had \$9,935,396 invested with the State of Washington Local Government Investment Pool (LGIP) and \$1,641,453 invested in the Snohomish County Investment Pool (SCIP). Both the LGIP's and SCIP's investment objectives are, in priority order: 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. Both investment pools are comparable to a Securities and Exchange Commission regulated Rule 2a-7 money market fund.

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

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

##### **Sno911 Joint Venture**

The Authority 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 the remaining Principals' User Fees paid during a such five-year period. Before deducting the payment of all costs, expenses, and charges validly incurred, the Authority's share was \$204,192 on December 31, 2022.

Snohomish County 911's 2022 operating budget was \$26,034,697, operating revenues received were \$26,904,022 and total operating expenditures were \$25,119,101. 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 5 – Leases**

During the year ending 2022, the Authority adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

1. The Authority is utilizing a lease for a fire engine.

### **Fire Engine**

The Authority entered into a seven-year lease agreement for a new fire engine which started in 2022. The annual payment each year is \$107,510.39 including interest. The lease agreement contains a contingency for a Non-Appropriation Event which details terms for return of equipment and final payments.

2. The total amount paid for leases in the current reporting period and future lease payments for each of the five subsequent years and in five-year increments thereafter:

Year	Lease Payments
2023	107,510
2024	107,510
2025	107,510
2026	107,510
2027	107,510
2028-2032	107,510
2033-2037	
2038-2042	
2043-2047	
2048-2052	
2053-2057	
2058-2062	
<i>Total</i>	645,062

## **Note 6 – Long Term Debt**

The accompanying Schedule of Liabilities (09) provides additional information regarding the outstanding debt and liabilities of the Fire Authority and summarizes the Fire Authority's debt transactions for the year ending December 31, 2022.

In 2020, The Authority issued a \$5,065,000 non-voted general obligation bond to finance the construction and equipment of a new training center and two new fire engines. The bond bears interest at the rate of 2.37%. Principal payments are due annually on December 1, and interest is paid each June 1 and December 1. The bond matures on December 1, 2039.



Notes to the Financial Statements  
For the year ended December 31, 2022

In 2021, The Authority entered into a lease for a new fire engine to be delivered in 2022. The total amount financed is \$678,230 with an annual lease payment of \$107,510 starting in 2022 and ending in 2028.

In 2021, The Authority annexed the City of Arlington Fire and EMS Department into the Fire Authority. The City issued non-voted general obligation bonds to finance the construction and equipment of a new fire station (#48) near the Arlington Airport. Under the annexation agreement, the City will retain the bond issuance in its name, but the Authority will take over all debt service obligations starting in 2024 and thus this obligation is included in our total debt calculations and disclosures. The bond bears interest at the rate of 2.49%. Principal payments are due annually on December 1, and interest is paid each December 1. The bond matures on December 1, 2039.

In 2022, The Authority issued a \$4,944,000 non-voted general obligation bond to provide additional funds for the construction and equipment of a new training center. The bond bears interest at the rate of 2.49%. Principal payments are due annually on December 1, and interest is paid each June 1 and December 1. The bond matures on December 1, 2041.

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

Year	Principal	Interest	Total
2022	506,402	261,521	767,923
2023	478,789	286,651	765,439
2024	688,282	357,637	1,045,919
2025	705,311	337,578	1,042,889
2026	727,514	317,021	1,044,534
2027-2031	3,652,754	1,251,140	4,903,895
2032-2041	7,160,290	870,569	8,030,859
Total	13,919,341	3,682,116	17,601,457

## **Note 7 - Other Disclosures**

### **Government combination**

In February of 2021, the City of Arlington residents approved a ballot issue that allowed the City to annex into the Fire Authority including adding all the stations, apparatus, and employees of the City's Fire Department. The effective merger date was August 1, 2021.

This annexation had fiscal impacts in 2021 as the City continued to collect property taxes for the remainder of 2021. The City made monthly payments to the Authority through the end of 2021 until the Authority can collect taxes for the new district boundaries in 2022. These payments should cover the cost of expenses associated with the additional personnel, apparatus, and buildings. In 2022, the Authority collected all property and EMS levies for the 2021 annexed properties.

### **Training Center Project**

The Authority is developing a regional training center and anticipates completion of the construction in 2023. The Authority purchased property within our service area boundaries in 2020 for the development of the training center. Long-term, the property may also include the construction of a new fire station to replace the aging Station# 96. The Authority issued \$5.5 million in general obligation bonds in 2020 to fund the project and purchase two fire apparatus. The Authority issued an additional \$4,944,000 in general obligation bonds in 2022 to fund additional costs of the training center project.

## **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: Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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 downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

Notes to the Financial Statements  
For the year ended December 31, 2022

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component. As of December 31, 2022, the Authority has 26 employees participating in PERS plan 2 and 4 in plan 3. The contribution rates are 6.36% of wages for the employee and 10.39% for the employer.

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

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. The Authority has 71 employees participating in Plan 2 with contribution rates of 8.53% for the employee and 5.30% for the employer.

**Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)**

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 ACFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2022 (the measurement date of the plans), the Authority's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 (UAAL)	0	.009581%	\$ 266,770
PERS 2/3	\$100,373	.012494%	\$ (463,375)
LEOFF 2	\$429,883	.2076435	\$ (5,463,110)
VFFRPF	\$30	.02%	\$ (4,495)

**B. Defined Contribution Pension Plans**

The Authority also participates in two different defined contribution plans: Nationwide Financial Services and Washington State Deferred Compensation Program administered by the Department of Retirement Systems. The Authority contributes 5.0% of each full-time employee's base salary into the program of their choice. Below is the amount of Authority contributions to each program in 2022.

	Contributions
Nationwide	148,115
Wash St DCP	247,562
<b>Total</b>	<b>395,677</b>

**Note 9 - Property Tax**

The Snohomish County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed as they are received.

PROPERTY TAX CALENDAR	
January 1	Tax is levied and becomes an enforceable lien against the properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

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

In 2022, the Fire Authority levied the following property taxes:

Levy Type	Per \$1000	Assessed Valuation	Amount
General Property Tax	1.44663632044	8,240,353,302	11,920,794
EMS Levies	0.33803652326	8,406,437,602	2,841,683

As of December 31, 2022, the outstanding property taxes receivable for the General Fund were \$239,892.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

## **Note 10 – Risk Management**

### **Self-Insurance**

The Fire Authority self-insures for Unemployment claims. In 2022, the Fire Authority received one new claim and paid \$54. Unemployment claims are recorded as an expense in the General Fund.

The Fire Authority annually purchases commercial insurance coverage through a joint insurance pool with a number of other fire entities within Snohomish County. The pool is named Snohomish County Risk Management Group and is managed by MacIennie Associates, Inc. The named insureds in the group include Silvana FF Assoc., Snoh. Cty. FPD #15, Snoh. Cty. FPD #16, Snoh. Cty. FPD #19, Snoh. Cty. FPD #22, Snoh. Cty. FPD #23, The “Cinderellas”, North County FF Assoc., Snoh. Cty. FPD #26 FF & Aux., Snoh. Cty. FPD #26, Arlington Hights FF Assoc., Snoh. Cty. FPD #21, Granite Falls FF Assoc., Snoh. Cty. FPD #17, Granite Falls FD, Robe Valley Vol FF Assoc., Snoh. Cty. FPD #17 CERT, Support #87, and Snoh. Cty. FPD #26. Our premium for 2022 was \$161,966 which provided policies for property, crime, portable, equipment, business auto, general liability, management liability, excess liability, group accident and sickness, and 24-hour accidental death and dismemberment.

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

The employees of the Authority are covered for workers compensation through the Washington State Labor & Industries program. The District pays premiums to the state based upon factors related to prior years claims and industry specific rates.

The Authority and its employees do participate in the Washington State Paid Family Medical Leave (PFML) program. The program provides employees time off for qualifying events.

Health and welfare insurance is provided by an insurance company trust which provides traditional medical and dental policies for the employees.

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

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

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

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

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

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements. (*See Note 5-Component Unit(s), Joint Ventures, and Related Parties*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- 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 Fire Authority are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and

investments, revenues and expenditures. The Fire Authority's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

General Funds

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

Debt Service Funds

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

Capital Projects Funds

This fund is used to account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

**PROPRIETARY FUND TYPES:**

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement

Notes to the Financial Statements  
For the year ended December 31, 2021

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

E. Compensated Absences

Vacation pay may be accumulated up to 240 hours for employees covered under the International Association of Firefighters (IAFF) Local 3438 contract, and is payable upon separation or retirement. At December 31, 2021 the Fire Authority's estimated liability for vacation pay was \$547,912. Payments are recognized as expenditures when paid.

Upon separation or retirement employees covered under the IAFF agreement receive compensation for up to 500 for unused sick leave. At December 31, 2021 the Fire Authority's estimated liability for all sick leave pay was \$1,117,207. Payments are recognized as expenditures when paid.

Non-represented employees' vacation leave hours may be accumulated and are payable upon separation or retirement. At December 31, 2021 the Fire Authority's estimated liability for vacation pay was \$108,639. Payments are recognized as expenditures when paid.

Non-represented employees' sick leave hours may be accumulated and are possibly payable upon separation or retirement based on individual employee contracts and the amount of notification given before separating employment with North County.

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 when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the commission. When expenditures that meet



Notes to the Financial Statements  
For the year ended December 31, 2021

restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts.

Restrictions and commitments of Ending Cash and Investments consist of the proceeds for the 2020 GO Bond Issuance of \$5.5 Million which is to be used for the purchase of two fire trucks and the development and construction of a training center and the reserves in the Capital Reserve Fund.

## **Note 2 – Budget Compliance**

The Fire Authority adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 General	12,653,149	12,388,548	264,601	Did not spend entire budget due to under-spending
004 Reserve	-	-	-	
005 Employee Leave Reserve	100,000	28,684	71,316	Only had two employees cash out leave
201 GO Bond 2020	376,400	376,200	200	Debt service costs slightly less than anticipated
301 Capital Reserve	126,017	92	125,925	Did not purchase capital equipment as anticipated
401 Training Center	4,029,500	445,827	3,583,673	Project still in design phase. No construction yet
633 Snohomish County EMS	319,750	202,104	117,646	SCEMS did not expend funds as anticipated
Total	\$ 17,604,816	\$ 13,441,455	\$ 4,163,361	

RCW 52.16.070 provides that the Fire Authority shall not expend funds in any year that exceed its available resources. For the 2021 calendar year, total expenditures did not exceed available resources.

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

## **Note 3 – 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.

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

There is also the financial impact of this emergency. Some of our Firefighters/EMTs were exposed to infected patients prior to the implementation of all the safety protocols. The exposed

Notes to the Financial Statements  
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employees were then mandated to take a fourteen-day quarantine to determine if they developed any symptoms. Some employees tested positive to there were a number of overtime shifts required to cover those quarantined employee's shifts.

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

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

#### **Note 4 – Deposits and Investments**

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

Type of Deposit or Investment	Authority's own deposits & investments	Deposits & investments held by the Authority as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	6,644,222	174,661	6,818,883
Local Government Investment Pool	3,111,693		3,111,693
Snohomish County Investment Pool	1,641,453		1,641,453
<i>Totals</i>	11,397,368	174,661	11,572,029

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

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

#### **Investments in Snohomish County investment pool**

The Authority is a voluntary participant in the Snohomish 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/disclose any liquidity fees or redemption gates.

#### 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.

The Fire Authority's investments are held by the Snohomish County Treasurer as its agent in the Fire Authority's name. At December 31, 2021 the Fire Authority had \$3,111,693 invested with the State of Washington Local Government Investment Pool (LGIP) and \$1,641,453 invested in the Snohomish County Investment Pool (SCIP). Both the LGIP's and SCIP's investment objectives are, in priority order: 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. Both investment pools are is comparable to a Securities and Exchange Commission regulated Rule 2a-7 money market fund.

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

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

##### **Sno911 Joint Venture**

The Authority 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.

Notes to the Financial Statements  
For the year ended December 31, 2021

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 Authority's share was \$312,689 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 (09) provides additional information regarding the outstanding debt and liabilities of the Fire Authority and summarizes the Fire Authority's debt transactions for year ended December 31, 2021.

In 2020, The Authority issued a \$5,065,000 non-voted general obligation bond for the purpose of financing the construction and equipping of a new training center and two new fire engines. The bond bears interest at the rate of 2.37%. Principal payments are due annually on each December 1, and interest is paid each June 1 and December 1. The bond matures on December 1, 2039.

In 2021, The Authority entered into a lease for a new fire engine to be delivered in 2022. The total amount financed is \$678,230 with annual lease payment of \$107,510 starting in 2022 and ending in 2028.

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

Year	Principal	Interest	Total
2021	180,000	166,400	346,400
2022	274,402	179,109	453,510
2023	281,789	169,322	451,110
2024	294,239	159,271	453,510
2025	301,756	148,755	450,510
2026-2030	1,481,045	568,336	2,049,381
2031-2039	2,685,000	338,100	3,023,100
Total	5,498,230	1,729,293	7,227,523

## **Note 7 - Other Disclosures**

### **Government combination**

In February of 2021, the City of Arlington residents approved a ballot issue which allowed the City to annex into the Fire Authority including adding all the stations, apparatus and employees of the City's Fire Department. The effective merger date was August 1, 2021.

This annexation had fiscal impacts in 2021 as the City continued to collect property taxes for the remainder of 2021. The City made monthly payments to the Authority through the end of 2021 until the Authority can collect taxes for the new district boundaries 2022. These payments should cover the cost of expenses associated with the additional personnel, apparatus and buildings.

### **Training Center Project**

The Authority is developing a training center over the next two years. The Authority purchased property within our service area boundaries in 2020 the development of the training center is in the planning stages. Long-term, the property may also include the construction of a new fire station to replace the aging Station# 96. The Authority issued \$5.5 million in general obligation bonds in 2020 to fund the project and purchase to two fire apparatus. The Authority issued an additional \$4,944,000 in general obligation bonds in 2022 to fund additional costs of the training center project.

## **Note 8 - Pension Plans**

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

Substantially all of the Fire Authority's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans: LEOFF 2 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 (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

Notes to the Financial Statements  
For the year ended December 31, 2021

Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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 ACFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2021 (the measurement date of the plans), the Fire Authority's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

System	Allocation %	Liability (Asset)
PERS 1	0.00694%	\$84,750
PERS 2/3	0.008912%	(\$887,779)
LEOFF 2	0.109231%	(\$6,344,589)
VFFRPF	0.03000%	(\$6,787)

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

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

#### B. Defined Contribution Pension Plans

The Authority also participates in two different defined contribution plans: Nationwide Financial Services and Washington State Deferred Compensation Program. The Authority contributes 5.0% of each full-time employee's base salary into the program of their choice. Below is the amount of Authority contributions to each program in 2021.

	Employer Contributions	
Nationwide	\$	117,860
Wash St DCP	\$	115,942

## **Note 9 - Property Tax**

The Snohomish County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed as they are received.

<b>PROPERTY TAX CALENDAR</b>	
January 1	Tax is levied and becomes an enforceable lien against the properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

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

In 2021, the Fire Authority levied the following property taxes:

	Assessed Value	Levy Rate/\$1000	Levy Amount
Fire Operations	\$4,149,618,577	\$1.493	\$6,194,174
Emergency Medical Services (EMS)	4,244,143,677	0.366	1,553,398
		<u>\$1.859</u>	<u>\$ 7,747,572</u>

As of December 31, 2021, the outstanding property taxes receivable for the General Fund were \$161,809.

Washington State Constitution and Washing State law, RCW 84.55.010, limit the rate.

## **Note 10 – Risk Management**

### **Self-Insurance**

The Fire Authority self-insures for Unemployment claims. During 2021, the Fire Authority received two new claims and paid out \$7,052. Unemployment claims are recorded as an expense in the General Fund.

The Fire Authority annually purchases commercial insurance coverage through a joint insurance pool with a number of other fire entities within Snohomish County. The pool is named Snohomish County Risk Management Group and is managed by MacIennic Associates, inc. The named insureds in the group include Silvana FF Assoc., Snoh. Cty. FPD #15, Snoh. Cty.



Notes to the Financial Statements  
For the year ended December 31, 2021

FPD #16, Snoh. Cty. FPD #19, Snoh. Cty. FPD #22, Snoh. Cty. FPD #23, The “Cinderellas”, North County FF Assoc., Snoh. Cty FPD #26 FF & Aux., Snoh. Cty. FPD #26, Arlington Hights FF Assoc., Snoh. Cty. FPD #21, Granite Falls FF Assoc., Snoh. Cty FPD #17, Granite Falls FD, Robe Valley Vol FF Assoc., Snoh. Ctuy FPD #17 CERT, Support #87, and Snoh. Cty. FPD #26. Our premium for 2021 was \$105,274 which provided policies for property, crime, portable, equipment, business auto, general liability, management liability, excess liability, group accident and sickness, and 24 hours accidental death and dismemberment.

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

The employees of the Authority are covered for workers compensation through the Washington State Labor & Industries program. The District pays premiums to the state based upon factors related to prior years claims and industry specific rates.

The Authority and its employees do participate in the Washington State Paid Family Medical Leave (PFML) program. The program provides employees time-off for qualifying events.

Health and welfare insurance are provided by an insurance company trust which provides traditional medical and dental policies for the employees.

**North County Regional Fire Authority  
Schedule of Liabilities  
For the Year Ended December 31, 2022**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Training Center GO Bonds	12/1/2039	4,640,000	-	185,000	4,455,000
251.11	Training Center 2022 GO Bonds	12/1/2041	-	4,944,000	232,000	4,712,000
263.56	Fire Truck Purchase	6/11/2028	-	678,230	89,402	588,828
<b>Total General Obligation Debt/Liabilities:</b>			<b>4,640,000</b>	<b>5,622,230</b>	<b>506,402</b>	<b>9,755,828</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Balances-Sick		1,117,207	547,327	537,329	1,127,205
259.12	Compensated Balances-Vacation		547,912	795,510	756,305	587,117
264.30	Pension Liabilities		84,754	182,016	-	266,770
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,749,873</b>	<b>1,524,853</b>	<b>1,293,634</b>	<b>1,981,092</b>
<b>Total Liabilities:</b>			<b>6,389,873</b>	<b>7,147,083</b>	<b>1,800,036</b>	<b>11,736,920</b>

**North County Regional Fire Authority  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Training Center GO Bonds	12/1/2039	4,820,000	-	180,000	4,640,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>4,820,000</b>	<b>-</b>	<b>180,000</b>	<b>4,640,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Balances-Sick		446,553	1,153,492	482,838	1,117,207
259.12	Compensated Balances-Vacation		259,497	884,182	595,767	547,912
264.30	Pension Liabilities		390,276	-	305,522	84,754
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,096,326</b>	<b>2,037,674</b>	<b>1,384,127</b>	<b>1,749,873</b>
<b>Total Liabilities:</b>			<b>5,916,326</b>	<b>2,037,674</b>	<b>1,564,127</b>	<b>6,389,873</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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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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