



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
**South Snohomish County Fire &
Rescue Regional Fire Authority**

For the period October 1, 2017 through December 31, 2018

Published December 2, 2019

Report No. 1025088





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

December 2, 2019

Board of Commissioners
South Snohomish County Fire & Rescue Regional Fire Authority
Everett, Washington

Report on Financial Statements

Please find attached our report on South Snohomish County Fire & Rescue Regional Fire Authority's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S 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**

**South Snohomish County Fire & Rescue Regional Fire Authority
October 1, 2017 through December 31, 2018**

Board of Commissioners
South Snohomish County Fire & Rescue Regional Fire Authority
Everett, 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 South Snohomish County Fire & Rescue Regional Fire Authority, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated November 13, 2019.

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 Washington state statutes 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.

As discussed in Note 1 to the financial statements, the Authority was established on October 1, 2017. As a result, the 2017 financial statements present financial information for only the period from October 1, 2017 through December 31, 2017.

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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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

November 13, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

South Snohomish County Fire & Rescue Regional Fire Authority October 1, 2017 through December 31, 2018

Board of Commissioners
South Snohomish County Fire & Rescue Regional Fire Authority
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of South Snohomish County Fire & Rescue Regional Fire Authority, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed on page 11.

Management's Responsibility 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 Washington state statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, South Snohomish County Fire & Rescue Regional Fire Authority has prepared these financial statements to meet the financial reporting requirements of Washington state statutes using 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 financial statements referred to above present fairly, in all material respects, the cash and investments of South Snohomish County Fire & Rescue Regional Fire Authority, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, on the basis of accounting described in Note 1.

Basis for 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. The effects on the financial statements of the variances between GAAP and the accounting practices the Authority used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

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 South Snohomish County Fire & Rescue Regional Fire Authority, as of December 31, 2018 and 2017, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis – Partial Year Presentation

As discussed in Note 1 to the financial statements, the Authority was established on October 1, 2017. As a result, the 2017 financial statements present financial information for only the period from October 1, 2017 through December 31, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 on our consideration of the Authority’s internal control over financial reporting and on our 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 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 that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy
State Auditor
Olympia, WA

November 13, 2019

FINANCIAL SECTION

South Snohomish County Fire & Rescue Regional Fire Authority October 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

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South Snohomish County Fire & Rescue Regional Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 RFA General Fund	302 RFA Capital Projects	502 RFA Healthcare Self Ins Fund
Beginning Cash and Investments					
30810	Reserved	11,180,799	1,353,406	9,202,484	624,909
30880	Unreserved	15,602,261	12,645,338	-	2,956,923
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	37,694,409	34,244,409	3,450,000	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	625,462	625,462	-	-
340	Charges for Goods and Services	17,971,307	17,971,307	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	4,513,100	487,969	197,906	3,827,225
Total Revenues:		<u>60,804,278</u>	<u>53,329,147</u>	<u>3,647,906</u>	<u>3,827,225</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	60,714,921	56,916,985	-	3,797,936
Total Expenditures:		<u>60,714,921</u>	<u>56,916,985</u>	<u>-</u>	<u>3,797,936</u>
Excess (Deficiency) Revenues over Expenditures:		89,357	(3,587,838)	3,647,906	29,289
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	11,471,401	11,066,313	400,000	5,088
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	440,725	440,725	-	-
Total Other Increases in Fund Resources:		<u>11,912,126</u>	<u>11,507,038</u>	<u>400,000</u>	<u>5,088</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,719,261	-	3,719,261	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		<u>3,719,261</u>	<u>-</u>	<u>3,719,261</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>8,282,222</u>	<u>7,919,200</u>	<u>328,645</u>	<u>34,377</u>
Ending Cash and Investments					
5081000	Reserved	12,834,414	2,134,689	9,531,129	1,168,596
5088000	Unreserved	22,230,869	19,783,255	-	2,447,614
Total Ending Cash and Investments		<u>35,065,283</u>	<u>21,917,944</u>	<u>9,531,129</u>	<u>3,616,210</u>

The accompanying notes are an integral part of this statement.

South Snohomish County Fire & Rescue Regional Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General	302 Capital Projects	502 Healthcare Self Insurance
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	108,695	108,695	-	-
340	Charges for Goods and Services	1,951,729	1,951,729	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,105,657	27,824	20,597	1,057,237
Total Revenues:		<u>3,166,081</u>	<u>2,088,248</u>	<u>20,597</u>	<u>1,057,237</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	12,470,466	12,001,784	-	468,682
Total Expenditures:		<u>12,470,466</u>	<u>12,001,784</u>	<u>-</u>	<u>468,682</u>
Excess (Deficiency) Revenues over Expenditures:		<u>(9,304,385)</u>	<u>(9,913,536)</u>	<u>20,597</u>	<u>588,555</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	36,777,863	23,863,380	9,921,206	2,993,278
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	48,899	48,899	-	-
Total Other Increases in Fund Resources:		<u>36,826,763</u>	<u>23,912,279</u>	<u>9,921,206</u>	<u>2,993,278</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	739,318	-	739,318	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		<u>739,318</u>	<u>-</u>	<u>739,318</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>26,783,059</u>	<u>13,998,743</u>	<u>9,202,485</u>	<u>3,581,833</u>
Ending Cash and Investments					
5081000	Reserved	11,180,799	1,353,405	9,202,484	624,909
5088000	Unreserved	15,602,262	12,645,338	-	2,956,923
Total Ending Cash and Investments		<u>26,783,060</u>	<u>13,998,744</u>	<u>9,202,484</u>	<u>3,581,833</u>

The accompanying notes are an integral part of this statement.

**South Snohomish County Fire & Rescue Regional Fire Authority
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018**

	Total for All Funds (Memo Only)	Pension Trust	Agency	
308	Beginning Cash and Investments	5,507,600	5,120,425	387,175
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	1,472,111	1,062,469	409,642
510-590	Deductions	901,659	594,618	307,041
	Net Increase (Decrease) in Cash and Investments:	570,452	467,851	102,601
508	Ending Cash and Investments	6,078,052	5,588,276	489,776

The accompanying notes are an integral part of this statement.

**South Snohomish County Fire & Rescue Regional Fire Authority
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017**

		Total for All Funds (Memo Only)	Pension Trust	Agency
308	Beginning Cash and Investments	-	-	-
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	5,872,327	5,170,686	701,642
510-590	Deductions	364,729	50,261	314,467
Net Increase (Decrease) in Cash and Investments:		5,507,599	5,120,425	387,175
508	Ending Cash and Investments	5,507,599	5,120,425	387,174

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Snohomish County Fire & Rescue Regional Fire Authority (SCF) was incorporated on October 1, 2017 and operates under the laws of the state of Washington applicable to fire authorities. The Authority is a special purpose government that provides fire suppression, emergency medical services, public education and fire prevention services.

The 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.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as a "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 Authority. It accounts for all financial resources except those required or elected to be accounted for in another fund. For reporting purposes, the Authority has consolidated its Emergency Reserve, Law Enforcement Officers and Fire Fighters (LEOFF) 1 Medical Reserve and its Compensated Absences Reserve into the General Fund.

Capital Project Funds

These funds account for the financial resources that are restricted, committed or assigned to expenditures for the acquisition or construction of capital facilities or other capital assets. For reporting purposes the Authority includes its Apparatus Reserve, Building Reserve and Equipment Reserve in this Fund.

PROPRIETARY FUND TYPE:

Internal Service Funds

These funds are used to account for operations that provide goods or services to other department or funds of the government on a cost-reimbursement basis. The Authority uses an internal service fund to account for the activities of its Healthcare Self-Insurance program.

FIDUCIARY FUND TYPE:

Health Reimbursement Trust Fund

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The Authority has one Trust Fund that accounts for the accumulation of cash which accrues to the benefit of each employee to be used for qualifying medical expenses.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity. The Authority entered into Interlocal Agreements with the Snohomish County Special Operations Joint Policy Board and the Snohomish County EMS and Trauma Care Council to provide Treasury functions for these organizations.

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 - Refer to Note 3 *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. The capital assets of the Authority are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation pay may be accumulated up to 768 hours for employees covered under the International Association of Firefighters (IAFF) Local 1828 contract, and up to 576 hours for employees covered under IAFF Local 1984 contract and is payable upon separation or retirement. Non-represented employees may carry forward up to 1.5 times their annual accrual amount which is payable upon separation or retirement.

Upon separation or retirement administrative employees and employees covered under the IAFF Local 1828 agreement with less than 20 years of service receive compensation for sick leave hours at 25% of their accrued bank balance up to a maximum payout of 360 hours. Employees covered under the IAFF Local 1828 agreement with 20 or more years of service receive compensation for sick leave at 35% of their accrued bank balance up to a maximum payout of 504 hours.

Upon termination of employment employees covered under the IAFF Local 1984 agreement a maximum of 720 hours of their unused accumulated sick leave may be converted to pay on the following basis:

- Termination – Voluntary or involuntary, 5 hours accrued\ unused – 1 hour pay

- Termination – Layoff, 4 hours accrued\unused – 1 hour pay
- Retirement or Death, 2 hours accrued\unused – 1 hour pay

Payments are recognized as expenditures when paid.

F. Long-Term Debt – Refer to Note 5 *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by board adopted Resolution or Policy. When expenditures that meet restrictions are incurred, the Authority intends to use reserved resources first before using unreserved amounts. At December 31, 2018 the Authority reported Reserved Fund Balance on the Fund Uses Resources and Uses arising from Cash Transactions as Reserved Cash and Investments as follows:

General Fund	\$ 2,134,689	Committed by Board Adopted Policy for Leoff 1 Medical Expenses & Compensated Absences.
Capital Projects Fund	9,531,128	Committed by Board Adopted Policy for Apparatus, Capital & Equipment Purchases.
Healthcare Self-Insurance Fund	1,168,596	Restricted by WAC 200.110.040 for eight weeks program expenses plus eight weeks contingency reserve.
	\$12,834,413	

NOTE 2 – BUDGETS AND COMPLIANCE

The Authority adopts annual appropriated budgets for all governmental 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 legally adopted budgets were as follows:

	<u>Original 2018 Budget</u>	<u>Amended 2018 Budget</u>	<u>2018 Actuals</u>	<u>Positive (Negative)</u>
General Fund				
General Fund	\$ 65,643,418	\$ 61,321,913	\$ 55,662,162	\$ 5,659,751
Emergency Reserve	0	0	0	0
LE OFF 1 Medical Reserve	923,320	923,320	855,252	68,068
Compensated Absences Reserve	513,302	515,138	399,573	115,565
Total General Fund	67,080,040	62,760,371	56,916,987	5,843,384
Capital Projects Fund				
Apparatus Reserve	3,275,992	3,453,922	2,094,127	1,359,795
Building Reserve	325,000	695,000	217,996	477,004
Equipment Reserve	2,109,911	3,662,835	1,407,138	2,255,697
Total Capital Projects Fund	5,710,903	7,811,757	3,719,261	4,092,496
Healthcare Self-Insurance Fund	3,530,000	3,530,000	3,797,936	(267,936)
Total Authority	\$ 76,320,943	\$ 74,102,128	\$ 64,434,183	\$ 9,667,945

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. The budget was amended three times during the year to authorize additional staffing, equipment purchases, and capital outlay. The Healthcare Self Insurance Fund expenditure exceed budget due to high claims. This fund's reserves exceed the amount required by the State Risk Manager and are available to pay claims.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

The Authority's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and/or 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. Investments are reported at cost and balances as of December 31, 2018 are as follows:

	LGIP
South County Fire Investments	\$33,062,206
Investments held as an agent for other local governments or individuals	<u>5,953,884</u>
Total Investments	<u><u>\$39,016,089</u></u>

NOTE 4 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed monthly. 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. The Authority's regular levy for 2018 is as follows:

	Assessed Value	Levy Rate/\$1,000	Levy Amount
Fire	25,601,277,597	\$1.50	\$38,401,916

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details on the outstanding debt and liabilities of the Authority and summarizes the Authority's debt transactions for the year ended December 31, 2018.

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

LEOFF 1 MEDICAL

THE LEOFF 1 Retiree Medical Plan is a closed, single employer, defined benefit OPEB plan administered in accordance with RCW 41.26.150. LEOFF 1 members do not contribute towards the cost of medical care.

On December 31, 2018 there were 25 retired firefighters transferred from Snohomish County Fire District #1 to the Authority who met the eligibility requirements. Under authorization of the County Disability

Board, the Authority pays 100% of medical insurance premiums and medical expenses including long-term care on a pay as you go basis.

On December 31, 2018 there were 25 retired firefighters transferred from the City of Lynnwood to the Authority who met the eligibility requirements. Under authorization of the City of Lynnwood Disability Board, the Authority pays 100% of medical insurance premiums and medical expenses including long-term care on a pay as you go basis.

The Authority contributed \$1,350,000 to the LEOFF 1 Medical Reserve; and post-employment health care costs of \$855,252 were paid in 2018. The Authority had \$1,688,152 in Reserves to fund this obligation.

RETIREMENT HEALTHCARE INCENTIVE

The Authority assumed the responsibility for an early retirement incentive first offered in 2011 to employees of Fire District 1. The incentive provides for medical, dental, vision and a Health Retirement Account contribution. In 2018 the Authority paid \$23,779 for this incentive for two individuals.

NOTE 7 - PENSION PLANS

Substantially all 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 Law Enforcement Officers and Fire Fighters (LEOFF) Plan 2, or the Public Employees Retirement System (PERS) Plan 1, Plan 2, or Plan 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2018 (the measurements date of the plans), the Authority's proportionate share of the collective new pension liabilities as reported on Schedule 09 at December 31, 2018 was as follows:

Plan	Employer Contributions	Allocation Percentage	Liability\ (Asset)
PERS 1 UAAL	\$78,167	0.011695%	\$522,303
PERS 2 and 3	115,463	0.014964%	255,497
LEOFF 1	0	0.055885%	(1,014,593)
LEOFF 2	1,688,044	0.973444%	(19,763,035)

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.

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.

NOTE 8 - RISK MANAGEMENT

The Authority purchases coverage through an A+ rated and Washington admitted commercial carrier for the following risk categories: Property, General Liability, Automobile, Portable Equipment, Crime, and Excess Liability and are summarized below. Premium costs are expended from the General Fund.

Property Coverage

- Buildings-Guaranteed Replacement Cost Valuation w/ 4% Inflation Guard
- Contents-Blanket Replacement Cost Valuation w/ 4% Inflation Guard
- All Risk coverage
- Deductibles- \$1,000 property/\$1,000 flood/5% EQ

General Liability

- \$1,000,000 per Occurrence and a \$3,000,000 Aggregate (no deductible)
- Includes-Professional Healthcare Liability, Watercraft/Maritime Liability, Contractual and Employers Liability

Management Liability

- \$1,000,000 per Occurrence and a \$3,000,000 Aggregate (no deductible)
- Includes EPLI, EBL, Cyber Liability, Outside Directorship Liability, and Injunctive Relief

Business Auto

- \$1,000,000 CSL
- Physical Damage deductibles \$1,000 Collision, \$1,000 Comprehensive
- Agreed Value basis
- Primary Non-owned Auto Liability

Excess Liability

- \$20,000,000 per Occurrence w/ \$30,000,000 Aggregate

Portable Equipment

- Blanket coverage- Guaranteed Replacement Cost basis
- Scheduled equipment (Boat 100hp+) Replacement Cost

Crime

- Employee Dishonesty- \$5,000,000
- Coverage includes Forgery/Alteration, Computer & Identity Fraud

Additionally, the Authority makes quarterly premium payments to the Washington State Department of Labor and Industries to insure its liability arising from risk of loss for job related injuries and illnesses to employees.

Self-Insurance

The Authority implemented a self-insurance plan for medical, vision, and prescription drug claims. The Authority contracted with a third party administrator (TPA) for medical and vision claims administration. In 2018 24,368 claims were paid totaling \$3,711,896. The Authority accounts for the revenues and expenses of the program in an internal service fund except for the LEOFF 1 claims which are included in the General Fund for reporting purposes. At December 31, 2018 the Authority had accumulated \$3,616,209 in the Self-Insurance Fund and \$98,692 in the Leoff 1 Reserve Fund exceeding the sixteen weeks of claims reserve required by the State Risk Manager.

The Authority also self-insures for Unemployment claims. During 2018 the Authority paid two claims totaling \$21,271. Unemployment claims when paid are recorded as an expense in the General Fund.

NOTE 9 – OTHER DISCLOSURES

Joint Ventures

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 to this Agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the Authority's share was \$1,422,411 or 5.97% on December 31, 2018.

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.

The Authority also participates in a joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System (SERS). SERS was created by agreement under the Interlocal Cooperation Act (RCW 39.34) between the Authority, Snohomish County and nine Snohomish County cities. The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. SERS is considered a separate reporting entity. The Authority's and each participants share of authority is defined by the terms of the enabling charter. Separate financial statements for SERS can be obtained from Snohomish County. At December 31, 2018 the Authority owned a 4.5% equity interest in SERS joint venture.

Interlocal Agreements

On December 1, 2015 the Snohomish County Fire District #1 entered into an agreement for services with the Snohomish County Emergency Medical Services and Trauma Care Council (SCEMS) whereby the District was to provide administrative services including Treasury Function. Effective October 1, 2017 this agreement was assigned to the RFA. As part of the agreement the Authority hired one FTE to

perform these services and is to be reimbursed for personnel costs plus 5% administrative fee. SCEMS is reported as an Agency Fund in the Authority's financial statements.

On December 1, 2015 Snohomish County Fire District #1 the entered into an agreement for services with the Snohomish County Special Operations Joint Policy Board (SOPB) whereby the District was to provide administrative services including the Treasury Function. Effective October 1, 2017 this agreement was assigned to the RFA. The Authority will receive an annual service of 5% of the fees assessed to other member agencies for performing the required services. SOPB is reported as an Agency Fund in the Authority's financial statements.

Significant Commitment or Obligation

On March 21, 2017 the Commissioners of District 1 authorized the Chief to sign a lease purchase agreement with Stryker for the purchase of 17 Lifepak 15's at a not to exceed cost of \$534,265.80 including trade in value, sales tax and leasing costs. On October, 2017 the remaining obligation was assigned to the RFA. At December 31, 2018 there was one payment in the amount of \$178,088.60 outstanding.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Snohomish County Fire & Rescue Regional Fire Authority (SCF) was established by a vote of the people on the August 1, 2017 ballot with an effective date of October 1, 2017 and operates under the laws of the state of Washington applicable to fire authorities. The Authority is a special purpose government that provides fire suppression, emergency medical services, public education and fire prevention services.

The 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.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the Authority. It accounts for all financial resources except those required or elected to be accounted for in another fund. For reporting purposes, the Authority has consolidated its Emergency Reserve, Law Enforcement Officers and Fire Fighters (LEOFF) I Medical Reserve and its Compensated Absences Reserve into the General Fund.

Capital Project Funds

These funds account for the financial resources that are restricted, committed or assigned to expenditures for the acquisition or construction of capital facilities or other capital assets. For reporting purposes the Authority includes its Apparatus Reserve, Building Reserve and Equipment Reserve in this Fund.

PROPRIETARY FUND TYPE:

Internal Service Funds

These funds are used to account for operations that provide goods or services to other department or funds of the government on a cost-reimbursement basis. The Authority uses an internal service fund to account for the activities of its Healthcare Self-Insurance program.

FIDUCIARY FUND TYPE:

Health Reimbursement Trust Fund

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The Authority has one Trust Fund that accounts for the accumulation of cash which accrues to the benefit of each employee to be used for qualifying medical expenses.

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity. The Authority entered into Interlocal Agreements with the Snohomish County Special Operations Joint Policy Board and the Snohomish County EMS and Trauma Care Council to provide Treasury functions for these organizations.

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. Budgets

The Authority adopts annual appropriated budgets for all governmental 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 legally adopted budgets were as follows:

	Original 2017 Budget	Amended 2017 Budget	2017 Actuals	Positive (Negative)
General Fund				
General Fund	\$14,013,455	\$14,013,455	\$11,896,764	\$2,116,691
Emergency Reserve	0	0	0	0
LEOFF 1 Medical Reserve	211,700	211,700	105,019	106,681
Compensated Absences				
Reserve	237,964	237,964	0	237,964
Total General Fund	<u>14,463,119</u>	<u>14,463,119</u>	<u>12,001,784</u>	<u>2,461,335</u>
Capital Projects Fund				
Apparatus Reserve	1,021,000	1,021,000	733,448	287,552
Building Reserve	60,000	60,000	5,871	54,129
Equipment Reserve	363,460	363,460	0	363,460
Total Capital Projects Fund	<u>1,444,460</u>	<u>1,444,460</u>	<u>739,318</u>	<u>705,142</u>
Healthcare Self-Insurance Fund	<u>858,000</u>	<u>858,000</u>	<u>468,682</u>	<u>389,318</u>
Total Authority	<u>\$16,765,579</u>	<u>\$16,765,579</u>	<u>\$13,209,784</u>	<u>\$3,555,795</u>

D. Cash and Investments - Refer to Note 2 *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. The capital assets of the Authority are recorded as capital expenditures when purchased.

F. Compensated Absences

Upon separation or retirement administrative employees and employees covered under the IAFF Local 1828 agreement with less than 20 years of service receive compensation for sick leave hours at 25% of their accrued bank balance up to a maximum payout of 360 hours. Employees covered under the IAFF Local 1828 agreement with 20 or more years of service receive compensation for sick leave at 35% of their accrued bank balance up to a maximum payout of 504 hours.

Upon termination of employment employees covered under the IAFF Local 1984 agreement a maximum of 720 hours of their unused accumulated sick leave may be converted to pay on the following basis:

- Termination – Voluntary or involuntary, 5 hours accrued\ unused – 1 hour pay
- Termination – Layoff, 4 hours accrued\unused – 1 hour pay
- Retirement or Death, 2 hours accrued\unused – 1 hour pay

At December 31, 2017 the Authority's estimated liability for sick leave pay was \$2,931,715.

G. Long-Term Debt – Refer to Note 4 *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

The State Auditor's Office BARS Manual requires the Authority report the amount of cash and investments not available for spending due to restrictions imposed by external parties (restricted) or internally by a formal Board action (committed) as Reserved Fund Balance. When expenditures that meet restrictions are incurred, the Authority intends to use reserved resources first before using unreserved amounts. At December 31, 2017 the Authority reported Reserved Fund Balance on the Fund Uses Resources and Uses arising from Cash Transactions as Reserved Cash and Investments as follows:

General Fund	\$1,353,406	Committed by Board Adopted Policy for Leoff I Medical Expenses & Compensated Absences.
Capital Projects Fund	9,202,484	Committed by Board Adopted Policy for Apparatus, Capital & Equipment Purchases.
Healthcare Self-Insurance Fund	624,909	Restricted by WAC 200.110.040 for eight weeks program expenses plus eight weeks contingency reserve.
	<u>\$11,180,799</u>	

Additionally the Authority reported Reserved Fund Balance in the amount of \$5,507,599 on the Fiduciary Fund Resources and Uses Arising from Cash Transactions.

I. Other Increases in Fund Resources

The Authority's Other Increases in Fund Resources consists of the following:

Contribution from City of Lynnwood	\$5,259,170
Contribution from Fire District #1	31,518,693
Disposition of Capital Assets	6,376
Insurance Recoveries	42,523
Total Other Increases in Fund Resources	<u>\$36,826,763</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

The 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 is comprised of the State Treasurer, Governor, and Lieutenant Governor. 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. All investments are insured, registered or held by the Authority or its agent in the government's name.

It is the Authority's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. The Authority's Deposits and Investments are reported at cost and balances as of December 31, 2017 are as follows:

General Fund	Deposits	LGIP	Total
General Fund	\$ 820,976.68	\$9,800,332	\$10,621,309
Emergency Reserve	0	2,024,030	2,024,030
Leoff 1 Medical Reserve	147,200	1,013,148	1,160,348
Compensated Absences Reserve	(64,952)	258,010	193,058
Total General Fund	<u>903,224</u>	<u>13,095,519</u>	<u>13,998,744</u>
Capital Projects Fund			
Apparatus Reserve	226	4,951,906	4,952,132
Building Reserve	(38,929)	2,281,189	2,242,260
Equipment Reserve	(440)	2,008,532	2,008,092
Total Capital Projects Fund	<u>(39,144)</u>	<u>9,241,628</u>	<u>9,202,484</u>
Healthcare Self-Insurance Fund	436,889	3,144,944	3,581,833
Health Reimbursement Trust Fund	26,855	5,093,569	5,120,425
Special Operations Policy Board	0	289,205	289,205
Snohomish County EMS & Trauma Care Council	16,593	81,377	97,970
Total Authority	<u>\$1,344,417</u>	<u>\$30,946,242</u>	<u>\$32,290,659</u>

NOTE 3 - PROPERTY TAXES

The 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 revenues are recognized when cash is recorded as received by the County. The Authority did not levy taxes for collection in 2017. The Authority did levy taxes in 2017 for collection in 2018 as follows:

	Assessed Value	Levy Rate/\$1,000	Levy Amount
Fire	25,601,277,597	\$1.50	\$38,401,916

NOTE 4 - DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details on the outstanding debt and liabilities of the Authority and summarizes the Authority's debt transactions for the year ended December 31, 2017.

NOTE 5 - PENSION PLANS

Substantially all full-time and qualifying part-time employees of the Authority 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 Law Enforcement Officers and Fire Fighters (LEOFF) Plan 1 or Plan 2, or the Public Employees Retirement System (PERS) Plan 1, Plan 2, or Plan 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The 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.

The Authority was established at June 30, 2017 (the measurement date of the plans), therefore its proportionate share of the collective net pension liabilities as reported on Schedule 09 at December 31, 2017 is \$0.

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.

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.

NOTE 6 - RISK MANAGEMENT

The Authority purchases coverage through an A+ rated and Washington admitted commercial carrier for the following risk categories: Property, General Liability, Automobile, Portable Equipment, Crime, and Excess Liability and are summarized below. Premium costs are expended from the General Fund.

Property Coverage

- Buildings-Guaranteed Replacement Cost Valuation w/ 4% Inflation Guard
- Contents-Blanket Replacement Cost Valuation w/ 4% Inflation Guard
- All Risk coverage
- Deductibles- \$1,000 property/\$1,000 flood/5% EQ

General Liability

- \$1,000,000 per Occurrence and a \$3,000,000 Aggregate (no deductible)
- Includes-Professional Healthcare Liability, Watercraft/Maritime Liability, Contractual and Employers Liability

Management Liability

- \$1,000,000 per Occurrence and a \$3,000,000 Aggregate (no deductible)
- Includes EPLI, EBL, Cyber Liability, Outside Directorship Liability, and Injunctive Relief

Business Auto

- \$1,000,000 CSL
- Physical Damage deductibles \$1,000 Collision, \$1,000 Comprehensive
- Agreed Value basis
- Primary Non-owned Auto Liability

Excess Liability

- \$10,000,000 per Occurrence w/ \$20,000,000 Aggregate

Portable Equipment

- Blanket coverage- Guaranteed Replacement Cost basis
- Scheduled equipment (Boat 100hp+) Replacement Cost

Crime

- Employee Dishonesty- \$5,000,000
- Coverage includes Forgery/Alteration, Computer & Identity Fraud

Additionally, the Authority makes quarterly premium payments to the Washington State Department of Labor and Industries to insure its liability arising from risk of loss for job related injuries and illnesses to employees.

Self-Insurance

The Authority implemented a self-insurance plan for medical, vision, and prescription drug claims. The Authority contracted with a third party administrator (TPA) for medical and vision claims administration. In 2017 3,963 claims were received and 3,963 claims were paid totaling \$445,981. The Authority accounts for the revenues and expenses of the program in an internal service fund except for the LEOFF 1 claims which are included in the General Fund for reporting purposes. At December 31, 2017 the Authority had accumulated \$3,586,920 in the Self-Insurance Fund and \$36,751 in the Leoff 1 Reserve Fund exceeding the sixteen weeks of claims reserve required by the State Risk Manager.

The Authority also self-insures for Unemployment claims. During 2017 the Authority did not receive any claims. Unemployment claims when paid are recorded as an expense in the General Fund.

NOTE 7 - OTHER DISCLOSURES

Government Combination

A Regional Fire Authority (RFA) Planning Committee of three elected officials from the District and three elected officials from the City of Lynnwood, supported by leadership and staff, was established in October 2016 to guide the process of forming a RFA. After 10 months of review, analysis, outreach and planning the Committee proposed a RFA Plan. Both the Lynnwood City Council and the Fire District Board of Commissioners passed resolutions to forward the RFA Plan to a public vote on the August 1, 2017 ballot. Voters in Lynnwood and Fire District 1 approved the plan creating and funding the South Snohomish County Fire and Rescue Regional Fire Authority (South County Fire-SCF).

The Authority entered into an Interlocal Agreements with the City of Lynnwood and the District that provided for the transfer of property, funds, assets, records, the LEOFF 1 Liability and transfer of revenue to the RFA. Funds transferred to the RFA are reported as an Extraordinary Item on the Fund Uses Resources and Uses arising from Cash Transactions Statement.

Initially, the SCF will be governed by a transitional Board of Commissioners consisting of two Lynnwood elected officials and five Fire District 1 Commissioners.

Once the RFA begins levying an EMS levy (following voter approval under RCW 84.52.069), it is anticipated that the Authority will submit a ballot measure to its voters to dissolve in accordance with RCW 52.10.010.

Joint Ventures

The Authority participates in a single joint venture with other local governments in the “Southwest Snohomish County Public Safety Communications Agency,” (SNOCOM) a public non-profit corporation formed in 1971 and incorporated in 2014. The purpose of SNOCOM is to provide public safety communications, records retention and usage and other board approved functions.

SNOCOM was established via an interlocal agreement between the Authority, and six cities all located within the county. Each member city and the Fire Authority provide voting members to the SNOCOM board of directors. The purpose of SNOCOM is to provide communications and dispatching for public health and safety services in Southwest Snohomish County.

The Cities of Brier, Edmonds, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodway and the Authority are jointly responsible for the financing of SNOCOM. The interlocal agreement details clearly

an allocation formula that determines each member's share in the joint venture and its reported equity interest in their respective financial statements. It incorporates each agency's population, assessed value and usage of 911 calls for service. Each member provides a voting representative to SNOCOM governing board of directors. The SNOCOM board has the authority to approve project expenditures and adopt SNOCOM budget.

The City of Lynnwood assigned 33.34% of its equity interest as of December 31, 2016 totaling \$287,759 to the Authority, and Snohomish County Fire District #1 assigned 100% of its equity interest as of December 31, 2016 totaling \$447,776 to the Authority. At December 31, 2017 the Authority owned an equity interest in SNOCOM joint venture of \$754,747. The equity interest is adjusted to the extent of revenues and expenditure transactions occurring between the City of Mountlake Terrace and SNOCOM as recorded in the City of Mountlake Terrace's financial system. The City of Mountlake Terrace, who acts as the entity's fiscal agent under the Interlocal Agreement for Financial Services signed on November 25, 2009, prepares the unaudited financial information. Separate financial statements for the Snohomish County Public Safety Communication Agency can be obtained from the City of Mountlake Terrace, Finance Department, 6100 - 219th St SW, Suite 200, Mountlake Terrace, WA 98043. Effective January 1, 2018 SNOCOM and SNOFAC consolidated forming Snohomish County 911. Agency Ending Balance Net Equity Interest was transferred to the newly created entity.

The Authority also participates in a joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System (SERS). SERS was created by agreement under the Interlocal Cooperation Act (RCW 39.34) between the Authority, Snohomish County and nine Snohomish County cities. The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. SERS is considered a separate reporting entity. The Authority's and each participants share of authority is defined by the terms of the enabling charter. Separate financial statements for SERS can be obtained from Snohomish County.

The City of Lynnwood assigned 33.34% of its equity interest totaling \$134,356 to the Authority, and Snohomish County Fire District #1 assigned 100% of its equity interest totaling \$244,731 to the Authority. At December 31, 2017 the Authority owned a 4.5% equity interest in SERS joint venture.

Interlocal Agreements

On December 1, 2015 the Snohomish County Fire District #1 entered into an agreement for services with the Snohomish County Emergency Medical Services and Trauma Care Council (SCEMS) whereby the District was to provide administrative services including Treasury Function. Effective October 1, 2017 this agreement was assigned to the RFA. As part of the agreement the Authority hired one FTE to perform these services and is to be reimbursed for personnel costs plus 5% administrative fee. SCEMS is reported as an Agency Fund in the Authority's financial statements.

On December 1, 2015 Snohomish County Fire District #1 the entered into an agreement for services with the Snohomish County Special Operations Joint Policy Board (SOPB) whereby the District was to provide administrative services including the Treasury Function. Effective October 1, 2017 this agreement was assigned to the RFA. The Authority will receive an annual service of 5% of the fees assessed to other member agencies for performing the required services. SOPB is reported as an Agency Fund in the Authority's financial statements.

Other Post-Employment Benefits

LEOFF 1 MEDICAL

The Authority provides post-employment health care benefits in accordance with RCW 41.26.150. Employees become eligible after age 50 or if disabled while employed, with at least five years of service in the LEOFF 1 System.

On December 31, 2017 there was 1 active and 24 retired firefighters transferred from Snohomish County Fire District #1 to the Authority who met the eligibility requirements. Under authorization of the County Disability Board, the Authority pays medical insurance premiums and medical expenses including long-term care on a pay as you go basis.

On December 31, 2017 there were 25 retired firefighters transferred from the City of Lynnwood to the Authority who met the eligibility requirements. Under authorization of the City of Lynnwood Disability Board, the Authority pays medical insurance premiums and medical expenses including long-term care on a pay as you go basis.

LEOFF 1 members do not contribute towards the cost of medical care. Post-employment health care costs of \$105,019 were paid in 2017.

The Authority is not required to report under Governmental Accounting Standards Board (GASB) Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. However for management purposes the Authority contracted with Northwest Plan Services, Inc. to determine its total LEOFF 1 Benefit Obligation. At December 31, 2017 the Authority's Total Benefit Obligation was \$17,199,000. The Authority had \$1,160,308 in Reserve to fund this obligation.

RETIREMENT HEALTHCARE INCENTIVE

The Authority assumed the responsibility for an early retirement incentive offered in 2011 to employees of Fire District 1. The incentive provides for medical, dental, vision and a Health Retirement Account contribution. In 2017 the Authority paid \$4,304 for this incentive.

Significant Commitment or Obligation

On March 21, 2017 the Commissioners of District 1 authorized the Chief to sign a lease purchase agreement with Stryker for the purchase of 17 Lifepak 15's at a not to exceed cost of \$534,265.80 including trade in value, sales tax and leasing costs. The agreement calls for three annual payments of \$178,088.60 with \$1 due at end of lease. On October, 2017 the remaining obligation of \$356,177.20 was assigned to the RFA.

Subsequent Events

EMS LEVY

Resolution 03202018-03 "*Resolution to Impose EMS Levy*" was adopted by the Board of Commissioners at the March 20, 2018 meeting. The Resolution provides for the submission to the voters at the election to be held on August 7, 2018, a proposition to impose a ten year Emergency Medical Services Levy ("EMS Levy") at a levy rate of fifty cents (\$.50) or less per thousand dollars of assessed valuation in addition to its regular property tax levy, to be levied each year beginning in 2018 and to be collected in each year succeeding the year of the levy to provide funds required by SSCFR to enable SSCFR to continue to provide emergency medical services.

South Snohomish County Fire & Rescue Regional Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2018

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
263.51	Capital Lease-Stryker	3/28/2019	356,177	-	178,089	178,088
	Total General Obligation Debt/Liabilities:		356,177	-	178,089	178,088
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		5,659,634	4,903,821	4,994,690	5,568,765
264.30	Pension Liability		-	777,800	-	777,800
	Total Revenue and Other (non G.O.) Debt/Liabilities:		5,659,634	5,681,621	4,994,690	6,346,565
	Total Liabilities:		6,015,811	5,681,621	5,172,779	6,524,653

South Snohomish County Fire & Rescue Regional Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2017

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
263.51	Capital Lease-Stryker	3/28/2019	-	356,177	-	356,177
	Total General Obligation Debt/Liabilities:		-	356,177	-	356,177
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		-	6,461,929	802,295	5,659,634
264.30	Pension Liability		-	-	-	-
	Total Revenue and Other (non G.O.) Debt/Liabilities:		-	6,461,929	802,295	5,659,634
	Total Liabilities:		-	6,818,106	802,295	6,015,811

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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