



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Spokane Conservation District
Spokane County

For the period January 1, 2016 through December 31, 2016

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Office of the Washington State Auditor
Pat McCarthy

September 17, 2018

Board of Supervisors
Spokane Conservation District
Spokane, Washington

Report on Financial Statements

Please find attached our report on the Spokane Conservation District's financial statements.

We are issuing this report in order to provide information on the District'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**

**Spokane Conservation District
Spokane County
January 1, 2016 through December 31, 2016**

Board of Supervisors
Spokane Conservation District
Spokane, 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 the Spokane Conservation District, Spokane County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 18, 2017.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described 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 District's financial statements are free from material misstatement, we performed tests of the District'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in dark ink and is positioned above the printed name.

Pat McCarthy

State Auditor

Olympia, WA

December 18, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane Conservation District Spokane County January 1, 2016 through December 31, 2016

Board of Supervisors
Spokane Conservation District
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Spokane Conservation District, Spokane County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District'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 an opinion on these financial statements based on our audit. We conducted our audit 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 District'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 District'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, the Spokane Conservation District 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 financial position and results of operations of the Spokane Conservation District, for the year ended December 31, 2016, 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 District 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 the Spokane Conservation District, as of December 31, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of the District’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 District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

December 18, 2017

FINANCIAL SECTION

**Spokane Conservation District
Spokane County
January 1, 2016 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016

Spokane Conservation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

Beginning Cash and Investments

30810	Reserved	18,480
30880	Unreserved	3,609,255
388 / 588	Prior Period Adjustments, Net	-

Revenues

320	Licenses and Permits	-
330	Intergovernmental Revenues	702,110
340	Charges for Goods and Services	202,222
350	Fines and Penalties	4,391
360	Miscellaneous Revenues	1,329,968
Total Revenues:		2,238,690

Expenditures

550	Natural and Economic Environment	2,378,923
Total Expenditures:		2,378,923
Excess (Deficiency) Revenues over Expenditures:		(140,232)

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	1,275,775
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	1,471,529
381, 395, 398	Other Resources	3,270
Total Other Increases in Fund Resources:		2,750,574

Other Decreases in Fund Resources

594-595	Capital Expenditures	183,800
591-593, 599	Debt Service	848,071
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	1,306,977
Total Other Decreases in Fund Resources:		2,338,848

Increase (Decrease) in Cash and Investments: 271,494

Ending Cash and Investments

5081000	Reserved	28,952
5088000	Unreserved	3,870,274
Total Ending Cash and Investments		3,899,226

The accompanying notes are an integral part of this statement.

Spokane Conservation District

For the Year Ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The Spokane Conservation District was incorporated on November 11, 1973 and operates under the laws of the state of Washington applicable to a Conservation District. The District is a special purpose local government and provides natural resource technical assistance and conservation assistance to the general public and is supported primarily through user charges, grant funds and a county assessment authorized under RCW 89.08.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- 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. For reporting purposes, the activities of all District funds are combined into one general fund.

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave accumulation is not restricted. Upon separation or retirement employees can receive payment for unused sick leave up to 640 hours at a rate of 25%. Payments are recognized as expenditures when paid. The accompanying Schedule of Liabilities includes an additional 1.45% to adjust for Medicare taxes, 6.2% to adjust for Social Security taxes where applicable, and 11.18% to adjust for retirement contributions required on comp time cash outs.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

G. Risk Management

Spokane Conservation District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

H. 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 the District's Board of Supervisors. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of loan loss reserve funds received from Department of Ecology for the On-site Septic System loan program. These funds are to be used by the discretion of the District to cover losses on delinquent loans or for the issuance of additional on-site sewage system repair or replacement loans. As of December 31, 2016, the District's reserved balance was \$28,952.

Note 2 – Deposits and Investments

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the General Fund.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2016 are as follows:

Type of Investment	The District's own investments
LGIP	3,020,611
Money Market Funds	633,902
Total	3,654,513

Note 3 –Assessments

Special assessments are authorized by RCW 89.08.400 to be imposed for conservation districts. Activities and programs to conserve natural resources, including soil and water, are of special benefit to lands and may be used as the basis upon which special assessments are imposed.

A special assessment to finance conservation programs of the District was reauthorized by Spokane County Commissioners for 2014–2024 under Resolution No. 14-0654. The assessment includes all land in Spokane County except those with the City of Deer Park. An assessment amount was set at \$5.00 per parcel plus an additional \$.10 per acre for property with a Class 1 land classification; \$5.00 per parcel, plus an additional \$.05 per acre for property with a Class 2 land classification and no assessment for any land falling within a Class 3 land classification. Collection of the 2016 City and County of Spokane assessment totaled \$1,055,331.93. The State of Washington Department of Natural Resources is assessed \$.05 per acre for undeveloped land including forested areas and was assessed \$1,378 in 2016. DNR did not remit any funds in 2016.

Note 4 - Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2016.

The debt service requirements for the District's debt, including both principal and interest, are as follows:

	Principal	Interest	Total
2017	839,758.09	269,496.47	1,109,254.56
2018	885,538.39	220,759.57	1,106,297.96
2019	997,010.60	210,869.11	1,207,879.71
2020	1,012,623.12	189,861.50	1,202,484.62
2021	981,610.06	170,945.96	1,152,556.02
2022-2026	3,208,322.35	627,801.35	3,836,123.70
2027-2031	2,424,673.61	279,948.86	2,704,622.47
2032-2036	1,045,000.33	69,476.22	1,114,476.55
Totals	11,394,536.55	2,039,159.04	13,433,695.59

Note 5 - Pension Plans

State Sponsored Pension Plans

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

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, 2016 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Pension Plan	Allocation %	Liability
PERS 1	.000874%	\$46,938
PERS 1 UAAL	.007123%	\$382,539
PERS 2/3	.009116%	\$458,983
Total Pension Liability		\$888,460

Note 6 – Other Disclosures

About the District's Loan Programs

As noted on the accompanying Schedule of Liabilities nearly 91% of outstanding debt is represented by the various loan programs offered by the District. The District offers two unique loan programs. These include a Direct Seed Loan program and On-site Septic System Assistance program. Loans are made available by the Washington State Department of Ecology (DOE) and the Environmental Protection Agency through the Capitalization Grants for Clean Water State Revolving Fund program as well as the District's internal funds.

Production Agriculture Loans

The Production Agriculture loan program is the District's longest running and largest loan program. The District has received several loans from DOE throughout the years with a focus on production agriculture. Each loan is awarded with a unique focus as detailed below. However, since 2004 the loans have had a general focus on direct seed/no-till farming equipment. The loan program offers low interest loans with a five to seven year term. Throughout the years, the District has worked with neighboring conservation districts and the DOE to increase the geographical footprint of the program. Through interlocal cooperative agreements the District is able to offer the loan program to 17 conservation districts located within 14 counties in Eastern Washington and four counties in Idaho. Funding for loans in Idaho is offered through internal funds of the Spokane Conservation District.

L0000003

In October 1999, the District entered into agreement L0000003 with the WA Department of Ecology for a loan in the amount of \$1.5 million at 1.5 percent interest. The funds were specifically targeted to helping bluegrass seed producers implement the State of Washington certified alternative to burning grass straw after harvest. The partial removal of bluegrass straw by bailing is an approved Best Management Practice. The intent of the project was to prevent producers from taking bluegrass out of production which is an excellent crop for preventing soil erosion, sedimentation, and degradation of water quality. The funds were made available to remove and/or process grass straw and/or remove and store bluegrass straw until it was transported for processing. Twenty-two loans were made over the duration of the project, fully expending the \$1.5 million and carried a six percent interest rate to the borrowers. Bi-annual payments of \$45,579.72

started in May 2002 with the final payment due May 15, 2021. The balance on the loan to WA DOE as of December 31, 2016 was \$395,248.16.

L0200025

In April 2002, loan L0200025 for \$4 million was awarded at 1.5 percent interest. The loan term is 15 years. Funds were designated for improving watershed health and community stewardship in Spokane and Adams counties and later expanded to include Lincoln County. Borrowers were charged six percent interest with a five percent option. The project ended September 17, 2006. A cumulative amount of \$3,439,121.41 was loaned to producers. The balance of the loan, approximately \$700K, was not spent and was returned to the SRF pool for redistribution. A payment schedule was revised and bi-annual payments of \$132,152.95 started in September 2007. The last payment is due in September 2021. The balance owed to WA DOE as of December 31, 2016 was \$1,268,612.77.

L0400027

Loan L0400027 for \$2 million was awarded in March 2004. This loan, at 1.5 percent interest, was issued on a 20 year repayment schedule. The agreement allows SCD to loan to producers in Asotin and the four Districts in Whitman County for the purpose of establishing an Eastern Washington Conservation Tillage Program. The contract was later amended to include Lincoln, Adams, Garfield, Walla Walla, and Grant Conservation Districts. The loan was fully disbursed to 49 producers at five percent interest. Bi-annual payments of \$61,331.26 started in June 2009 with the final payment due June 2028. The balance owed to WA DOE as of December 31, 2016 was \$1,290,875.27.

L0600017

Loan L0600017 for \$1.5 million was awarded in April 2006. With 1.5 percent interest on a 20-year repayment schedule, this loan allows loans to be made in Spokane, Whitman, Asotin, Garfield, Walla Walla, Stevens, Eastern Klickitat, Franklin, and Grant County Conservation Districts. Allowable expenses include direct seed equipment, both implements and attachments, or any other implement to facilitate implementation of a direct seed system within the geographic boundaries as established by contract. The loan was fully expended in 2008 to 31 producers at six percent interest on a five year note. Bi-annual payments of \$45,317.85 started in September 2009 with the final payment due September 2028. The balance owed to WA DOE as of December 31, 2016 was \$991,688.28.

L0700020

Loan L0700020 for \$4 million was awarded in June 2007. Interest rate is 2.6 percent on a 20-year repayment schedule to the WA Department of Ecology. These loans will assist producers in counties including Spokane, Whitman, Walla Walla, Lincoln, Adams, Asotin, Columbia, Grant, and Garfield by obtaining low-interest loans for purchasing direct seeding and related conservation tillage equipment. With the economy in recession, interest rates were made adjustable depending on length of loan. The loan was fully expended in 2010. The first bi-annual payment of \$137,631.32 was made in October 2011 and the final payment is due October 2030. The balance owed to WA DOE as of December 31, 2016 was \$3,209,859.80.

L1200032

Loan 1200032 for \$8.3 million at 2.6% was awarded in 2012. However, the District requested a reduction to the award in the amount of \$3 million, effective June 30, 2015. These loans will provide financial assistance to help farmers in 14 counties purchase direct seed equipment, making the transition to direct seed economically feasible. Interest rates for these loans vary between 3.5-5.5%. The District drew funds through 6/30/16, but was unable to spend the entire loan. The final loan amount was \$3,732,662.49. Bi-annual payments of \$247,661.42 will begin in June 2017 and will continue until June 2023.

On-Site Septic System Assistance

The District was awarded a combination of grant and loan funds in July 2013 which allowed for the development of the On-Site Septic System Assistance program. After about a year of planning and preparation the District introduced the program in the summer of 2014. The program offers financial assistance to property owners in Spokane County in need of funding to replace or repair a failing on-site septic system or connection to the main sewer line.

L1400027

Loan L1400027 was awarded from DOE in the amount of \$450,000 with an interest rate of 1.1%. As of December 31, 2016, the District loaned a total of \$278,877. Recipient loans include a five year term and include an interest rate between 3.6-5.6%. Bi-annual payments of \$51,670.76 will start June 2019 and will continue until June 2023.

Subsequent Event

In December 2016, The Spokane Conservation District became interested in acquiring a 50-acre parcel and 7,000sq ft. office building located at 4418 E. 8th Avenue. The property was the former Spokane Rock Products facility. A formal purchase sale agreement was initiated in February 2017 and proposed \$1.225 million for the property and building. The offer was accepted by CPM Corporation and the transaction was finalized after a 60-day due diligence period ending in April 2017.

**Spokane Conservation District
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	DeLage Landen Copier Lease	4/30/2021	6,098	38,874	12,102	32,871
263.51	Avaya Phone Lease	1/31/2018	7,026	-	3,347	3,679
263.81	WA SRF Loan No. L0000003	5/15/2021	479,530	-	84,281	395,249
263.81	WA SRF Loan No. L02000025	9/17/2021	1,511,158	-	242,545	1,268,614
263.81	WA SRF Loan No. L0400027	6/10/2028	1,392,961	-	102,085	1,290,875
263.81	WA SRF Loan No. L0600017	9/1/2028	1,066,556	-	74,868	991,688
263.81	WA SRF Loan No. L1200032	6/30/2036	2,415,451	1,317,211	-	3,732,662
263.81	WA SRF Loan No. L1400027	6/30/2023	166,318	94,245	-	260,563
263.81	WA SRF Loan No. L14S0027	6/30/2023	18,480	10,472	-	28,952
263.81	WA SRF Loan No. L0700020	10/31/2030	3,397,525	-	187,666	3,209,860
263.91	Vehicle Loan	9/15/2019	12,363	-	3,162	9,201
263.91	KIVA Loan	10/15/2019	-	10,000	556	9,444
Total General Obligation Debt/Liabilities:			10,473,465	1,470,802	710,610	11,233,657
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		126,715	38,187	-	164,902
264.30	Pension Liability		807,703	80,757	-	888,460
Total Revenue and Other (non G.O.) Debt/Liabilities:			934,418	118,944	-	1,053,362
Total Liabilities:			11,407,883	1,589,746	710,610	12,287,019

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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Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
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