



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Spokane County Fire Protection
District No. 9

For the period January 1, 2015 through December 31, 2016

Published June 18, 2018

Report No. 1021512





Office of the Washington State Auditor
Pat McCarthy

June 18, 2018

Board of Commissioners
Spokane County Fire Protection District No. 9
Mead, Washington

Report on Financial Statements

Please find attached our report on Spokane County Fire Protection District No. 9'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

TABLE OF CONTENTS

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	4
Independent Auditor's Report On Financial Statements	7
Financial Section.....	10
About The State Auditor's Office.....	27

**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 County Fire Protection District No. 9
January 1, 2015 through December 31, 2016**

Board of Commissioners
Spokane County Fire Protection District No. 9
Mead, 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 Spokane County Fire Protection District No. 9, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 31, 2018.

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 audits 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 black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

May 31, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane County Fire Protection District No. 9 January 1, 2015 through December 31, 2016

Board of Commissioners
Spokane County Fire Protection District No. 9
Mead, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Spokane County Fire Protection District No. 9, Washington, for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

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 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, Spokane County Fire Protection District No. 9 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 Spokane County Fire Protection District No. 9, for the years ended December 31, 2016 and 2015, 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 Spokane County Fire Protection District No. 9, as of December 31, 2016 and 2015, 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.

Other Matters

Supplementary and Other Information

Our audits were performed 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 May 31, 2018 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.



Pat McCarthy

State Auditor

Olympia, WA

May 31, 2018

FINANCIAL SECTION

Spokane County Fire Protection District No. 9 January 1, 2015 through December 31, 2016

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to the Financial Statements – 2016
Notes to the Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

Spokane County Fire Protection District No. 9
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	14,037,079
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	11,099,106
320	Licenses and Permits	-
330	Intergovernmental Revenues	339,845
340	Charges for Goods and Services	562,945
350	Fines and Penalties	-
360	Miscellaneous Revenues	118,194
Total Revenues:		12,120,091

Expenditures

510	General Government	-
520	Public Safety	12,393,616
Total Expenditures:		12,393,616
Excess (Deficiency) Revenues over Expenditures:		(273,526)

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	6,500
Total Other Increases in Fund Resources:		6,500

Other Decreases in Fund Resources

594-595	Capital Expenditures	221,988
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		221,988

Increase (Decrease) in Cash and Investments: **(489,014)**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	13,548,067
Total Ending Cash and Investments		13,548,067

The accompanying notes are an integral part of this statement.

Spokane County Fire Protection District No. 9
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	13,793,889
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

310	Taxes	10,989,761
320	Licenses and Permits	-
330	Intergovernmental Revenues	340,364
340	Charges for Goods and Services	398,797
350	Fines and Penalties	-
360	Miscellaneous Revenues	129,930
Total Operating Revenues:		11,858,852

Operating Expenditures

510	General Government	-
520	Public Safety	11,234,482
598	Miscellaneous Expenses	-
Total Operating Expenditures:		11,234,482
Net Operating Increase (Decrease):		624,370

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	201,582
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		201,582

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	582,762
597	Transfers-Out	-
Total Nonoperating Expenditures:		582,762

Net Increase (Decrease) in Cash and Investments: **243,190**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	14,037,079
Total Ending Cash and Investments		14,037,079

The accompanying notes are an integral part of this statement.

SPOKANE COUNTY FIRE PROTECTION DISTRICT 9

2016 NOTES TO THE FINANCIAL STATEMENTS

The following notes are an integral part of the accompanying financial statements.

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spokane County Fire Protection District 9 is a special purpose government that provides fire protection services and emergency medical services including advanced life support (paramedic) care to the general public and is supported primarily through property taxes. The District was incorporated in 1948 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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 District'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 by the District:

GOVERNMENTAL FUND TYPES

Expense (Current Expense) Fund

This fund (coded 024) is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Clearing (Agency Fund)

This fund (coded 657) accounts for the issuance and redemption of accounts payable and payroll warrants issued by the District. The fund was established by Resolution #04-06 on November 2, 2004. This fund was not included in the financial statements per instruction from the State Auditor's Office.

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 District adopts an annual appropriated budget for the Expense fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual Appropriations for this fund 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 budget was as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Expense Fund	\$ 13,151,500.00	\$ 12,615,603.62	\$ 535,896.38

d. Cash and Investments

See Note 4, *Deposits and Investments*.

e.. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the District are recorded as expenditures when purchased.

f. Compensated Absences

The District employees' compensated absences balances are based on either a Union labor agreement or a non-union Administrative Staff and Support Personnel salary and benefit program. Under the program for non-union employees, vacation hours may be accumulated up to the maximum number of hours accruable in a 24-month period at each employee's respective rate and are 100% payable upon separation or retirement. Up to 1040 hours (130 days) of sick leave may be accumulated. Upon separation or retirement, employees receive payment for 50% of their accumulated sick leave. In addition, employees eligible to earn comp time (maximum of 40 hours) receive payment in full for their unused comp time balances upon separation or retirement.

Under the union labor agreement, union members may accrue the maximum number of vacation hours accruable in a 24-month period at their respective rates. Unused vacation hours are 100% payable upon separation or retirement.

Sick leave may not be carried over from one year to the next. Any unused sick leave balances are cashed out by the District in January of the following year. All union employees are eligible to earn and accumulate comp time up to a maximum of 72 hours. Upon separation or retirement, employees do receive payment in full for their comp time balances.

g. Long-term Debt

See Note #5, *Debt Service Requirements*.

h. Other Financing Sources or Uses

The District's *Other Financing Sources* consist of fixed asset sales, capital asset and non-capital asset insurance recoveries. There were no *Other Financing Uses*.

i. Risk Management

The District maintains insurance against most normal hazards. The District is insured through VFIS for Commercial Property, General Liability, Auto and Management Liability. The deductibles are as follows: Property - \$1,000, Auto Comp and Collision - \$250 and Management Liability - \$0. In 2016, there no auto liability claims and no property claims. All claims are paid from the Expense Fund.

j. Reserved Fund Balance

The District has no external and internal restrictions on fund balance in any of its funds.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in the District's Expense Fund (see Note 1c).

NOTE 3 – PROPERTY TAXES

The Spokane County Treasurer acts as agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month, except for the month of December when taxes are distributed at the end of the month.

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

The District's regular levy for the year 2015 for collection in 2016 was \$1.21 per \$1,000 on an assessed valuation of \$3,865,729,026 for a regular tax levy of \$4,659,429. Additionally, the District's special levy (\$1.71 per \$1000) was \$6,530,000.

NOTE 4 – DEPOSITS AND INVESTMENTS

As required by state law, RCW 52.16.010, the County Treasurer is the financial agent of the District and custodian of the District's cash and investment.

As a member of the Spokane County Investment Pool (SCIP), the District's investments are either insured, registered or held by the County or its agent in the County's name.

	<u>Carrying Amount</u>
Investments in County Treasurer's Investment Pool as of 12/31/16	\$13,870,677.04*

* This investment figure represents the two funds' (Expense and Agency) cash balances minus the Expense Fund's petty cash account (\$5,100.00).

It is noted here that the District's total end-of-year cash balance agrees with the County Treasurer's office, however, the two individual funds' balances comprising that total are different by \$2,142.00. On February 1, 2016, a receipt representing a DNR fire mobilization reimbursement was coded in error to the District's Warrant Clearing fund instead of its Expense Fund. The error was corrected by the District on 12/31/2016, however, the County didn't correct it until 2/9/2017.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2016. As of December 31, 2016, the District's only Long-Term Debt were values for compensated absences and pension liability.

NOTE 6 – LIMITATION OF INDEBTEDNESS

The District's maximum indebtedness for both general and capital purposes as of December 31, 2016 based on an assessed 2015 property value of \$3,865,729,026 x .75% was \$28,992,968. This total debt capacity was available for commitment at the end of the year since the District had no G.O. debt.

NOTE 7 – PENSION PLANS

State Sponsored Pension Plans

Substantially all District full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Department of Retirement Systems, under cost sharing multiple-employer public employee defined benefit retirement plans:

- 1) Public Employees' Retirement System (PERS)
- 2) Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available 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
PO Box 48380
Olympia, WA 98504-8380

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

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

At June 30, 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:

	Allocation %	Liability (Asset)
PERS 1	.004293%	\$ 230,554
PERS 2/3	.005508%	\$ 277,323
LEOFF 1	.009357%	\$ (96,404)
LEOFF 2	.207480%	\$ (1,133,434)
VFFRPF	.70%	\$ (119,839)

The District also participates in LEOFF Plan 1. The LEOFF Plan 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 District also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 8 – LEOFF 1 RETIREES

As of December 31, 2016, the District had six LEOFF 1 retirees and no active ones. The 2016 Medical and Long-Term Care Insurance cost for these individuals was \$90,241.

SPOKANE COUNTY FIRE PROTECTION DISTRICT 9

2015 NOTES TO THE FINANCIAL STATEMENTS

The following notes are an integral part of the accompanying financial statements.

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spokane County Fire Protection District 9 is a special purpose government that provides fire protection services and emergency medical services including advanced life support (paramedic) care to the general public and is supported primarily through property taxes. The District was incorporated in 1948 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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 District'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 by the District:

GOVERNMENTAL FUND TYPES

Expense (Current Expense) Fund

This fund (coded 024) is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Clearing (Agency Fund)

This fund (coded 657) accounts for the issuance and redemption of accounts payable and payroll warrants issued by the District. The fund was established by Resolution #04-06 on November 2, 2004. This fund was not included in the financial statements per instruction from the State Auditor's Office.

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 District adopts an annual appropriated budget for the Expense fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual Appropriations for this fund 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 budget was as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Expense Fund	\$ 12,615,300.00	\$ 11,817,244.12	\$ 797,755.88

d. Cash and Investments

See Note 4, *Deposits and Investments*.

e.. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the District are recorded as expenditures when purchased.

f. Compensated Absences

The District employees' compensated absences balances are based on either a Union labor agreement or a non-union Administrative Staff and Support Personnel salary and benefit program. Under the program for non-union employees, vacation hours may be accumulated up to the maximum number of hours accruable in a 24-month period at each employee's respective rate and are 100% payable upon separation or retirement. Up to 1040 hours (130 days) of sick leave may be accumulated. Upon separation or retirement, employees receive payment for 50% of their accumulated sick leave. In addition, employees eligible to earn comp time (maximum of 40 hours) receive payment in full for their unused comp time balances upon separation or retirement.

Under the union labor agreement, union members may accrue the maximum number of vacation hours accruable in a 24-month period at their respective rates. Unused vacation hours are 100% payable upon separation or retirement.

Sick leave may not be carried over from one year to the next. Any unused sick leave balances are cashed out by the District in January of the following year. All union employees are eligible to earn and accumulate comp time up to a maximum of 72 hours. Upon separation or retirement, employees do receive payment in full for their comp time balances.

g. Long-term Debt

See Note #5, *Debt Service Requirements*.

h. Other Financing Sources or Uses

The District's *Other Financing Sources* consist of fixed asset sales, capital asset and non-capital asset insurance recoveries. There were no *Other Financing Uses*.

i. Risk Management

The District maintains insurance against most normal hazards. The District is insured through VFIS, for Commercial Property, General Liability, Auto and Management Liability. The deductibles are as follows: Property - \$1,000, Auto Comp and Collision - \$250, Management Liability - \$0. In 2015, there were 3 auto liability claims totaling \$24,824; and no property claims. All claims are paid from the Expense Fund.

j. Reserved Fund Balance

The District has no external and internal restrictions on fund balance in any of its funds.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in the District's Expense Fund (see Note 1c).

NOTE 3 – PROPERTY TAXES

The Spokane County Treasurer acts as agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month, except for the month of December when taxes are distributed at the end of the month.

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

The District's regular levy for the year 2014 for collection in 2015 was \$1.23 per \$1,000 on an assessed valuation of \$3,668,378,624 for a regular tax levy of \$4,506,405. Additionally, the District's special levy (\$1.77 per \$1000) was \$6,400,646.

NOTE 4 – DEPOSITS AND INVESTMENTS

As required by state law, RCW 52.16.010, the County Treasurer is the financial agent of the District and custodian of the District's cash and investment.

As a member of the Spokane County Investment Pool (SCIP), the District's investments are either insured, registered or held by the County or its agent in the County's name.

	Carrying <u>Amount</u>
Investments in County Treasurer's Investment Pool as of 12/31/15	\$14,294,512.43*

* This investment figure represents the two funds' (Expense and Agency) cash balances minus the Expense Fund's petty cash account (\$5,100.00).

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2015. As of December 31, 2015, the District's only Long-Term Debt were values for compensated absences and pension liability.

NOTE 6 – LIMITATION OF INDEBTEDNESS

The District's maximum indebtedness for both general and capital purposes as of December 31, 2015 based on an assessed 2014 property value of \$3,668,378,624 x .75% was \$27,512,839. This total debt capacity was available for commitment at the end of the year since the District had no G.O. debt.

NOTE 7 – PENSION PLANS

State Sponsored Pension Plans

Substantially all District full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Department of Retirement Systems, under cost sharing multiple-employer public employee defined benefit retirement plans:

- 1) Public Employees' Retirement System (PERS)
- 2) Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available 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
PO Box 48380
Olympia, WA 98504-8380

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

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

At June 30, 2015 (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:

	Allocation %	Liability (Asset)
PERS 1	.004405%	\$ 230,422
PERS 2/3	.005695%	\$ 203,486
LEOFF 1	.009257%	\$ (111,567)
LEOFF 2	.207480%	\$ (2,132,479)
VFFRPF	1.00%	\$ (192,710)

The District also participates in LEOFF Plan 1. The LEOFF Plan 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 District also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 8 – LEOFF 1 RETIREES

As of December 31, 2015, the District had six LEOFF 1 retirees and no active ones. The 2015 Medical and Long-Term Care Insurance cost for these individuals was \$69,188.88.

Spokane County Fire Protection District No. 9
Schedule of Liabilities
For the Year Ended December 31, 2016

<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>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		635,229	157,122	-	792,351
264.30	Pension Liabilities		433,908	73,970	-	507,878
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,069,137	231,092	-	1,300,229
Total Liabilities:			1,069,137	231,092	-	1,300,229

Spokane County Fire Protection District No. 9
Schedule of Liabilities
For the Year Ended December 31, 2015

<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>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		660,248	-	25,019	635,229
264.30	Pension Liabilities		-	433,908	-	433,908
Total Revenue and Other (non G.O.) Debt/Liabilities:			660,248	433,908	25,019	1,069,137
Total Liabilities:			660,248	433,908	25,019	1,069,137

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov