



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

East County Fire and Rescue

For the period January 1, 2015 through December 31, 2017

Published November 15, 2018

Report No. 1022527





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

November 15, 2018

Board of Commissioners
East County Fire and Rescue
Camas, Washington

Report on Financial Statements

Please find attached our report on East County Fire and Rescue'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**

**East County Fire and Rescue
January 1, 2015 through December 31, 2017**

Board of Commissioners
East County Fire and Rescue
Camas, 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 East County Fire and Rescue, as of and for the years ended December 31, 2017, 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 November 7, 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.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated November 7, 2018.

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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 7, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

East County Fire and Rescue January 1, 2015 through December 31, 2017

Board of Commissioners
East County Fire and Rescue
Camas, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of East County Fire and Rescue, for the years ended December 31, 2017, 2016 and 2015, 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 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, East County Fire and Rescue 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 East County Fire and Rescue, for the years ended December 31, 2017, 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 East County Fire and Rescue, as of December 31, 2017, 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 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 7, 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.

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

Pat McCarthy

State Auditor

Olympia, WA

November 7, 2018

FINANCIAL SECTION

East County Fire and Rescue January 1, 2015 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
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Schedule of Liabilities – 2015

East County Fire and Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General Fund	101 EMS Fund	201 General Obligation Bond Fund
Beginning Cash and Investments					
30810	Reserved	836,060	836,060	-	-
30880	Unreserved	1,242,318	1,242,318	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,449,550	2,012,878	436,672	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	139,891	139,891	-	-
340	Charges for Goods and Services	8,146	8,146	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	47,693	47,693	-	-
Total Revenues:		2,645,279	2,208,607	436,672	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,076,813	1,640,140	436,672	-
Total Expenditures:		2,076,813	1,640,140	436,672	-
Excess (Deficiency) Revenues over Expenditures:		568,467	568,468	(0)	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	243,620	-	-	243,620
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	100	100	-	-
381, 395, 398	Other Resources	2,270	2,270	-	-
Total Other Increases in Fund Resources:		245,990	2,370	-	243,620
Other Decreases in Fund Resources					
594-595	Capital Expenditures	251,421	251,421	-	-
591-593, 599	Debt Service	243,620	-	-	243,620
597	Transfers-Out	243,620	243,620	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	373	373	-	-
Total Other Decreases in Fund Resources:		739,034	495,414	-	243,620
Increase (Decrease) in Cash and Investments:		75,423	75,424	(0)	-
Ending Cash and Investments					
5081000	Reserved	684,094	684,094	-	-
5088000	Unreserved	1,469,706	1,469,706	-	-
Total Ending Cash and Investments		2,153,800	2,153,800	-	-

The accompanying notes are an integral part of this statement.

East County Fire and Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 General	101 EMS Levy Passthrough	201 Debt Service
Beginning Cash and Investments					
30810	Reserved	364,173	364,173	-	-
30880	Unreserved	1,009,107	1,009,107	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,393,270	1,963,923	429,347	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	208,394	208,394	-	-
340	Charges for Goods and Services	52,808	52,808	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	38,983	38,983	-	-
Total Revenues:		2,693,454	2,264,107	429,347	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,037,775	1,608,428	429,347	-
Total Expenditures:		2,037,775	1,608,428	429,347	-
Excess (Deficiency) Revenues over Expenditures:		655,680	655,680	-	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	246,973	-	-	246,973
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	440,741	440,741	-	-
Total Other Increases in Fund Resources:		687,714	440,741	-	246,973
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,795	2,795	-	-
591-593, 599	Debt Service	388,527	141,554	-	246,973
597	Transfers-Out	246,973	246,973	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		638,295	391,322	-	246,973
Increase (Decrease) in Cash and Investments:		705,100	705,100	-	-
Ending Cash and Investments					
5081000	Reserved	836,060	836,060	-	-
5088000	Unreserved	1,242,318	1,242,318	-	-
Total Ending Cash and Investments		2,078,378	2,078,378	-	-

The accompanying notes are an integral part of this statement.

East County Fire and Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 General	101 EMS Levy Passthrough	201 Debt Service
Beginning Cash and Investments					
30810	Reserved	305,526	303,828	-	1,698
30880	Unreserved	1,025,009	1,025,009	-	-
388 & 588	Prior Period Adjustments, Net	(59,012)	(59,012)	-	-
Operating Revenues					
310	Taxes	2,236,115	1,817,330	418,785	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	125,404	125,404	-	-
340	Charges for Goods and Services	118,051	118,051	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	24,817	24,817	-	-
Total Operating Revenues:		2,504,387	2,085,602	418,785	-
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,111,064	1,692,279	418,785	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		2,111,064	1,692,279	418,785	-
Net Operating Increase (Decrease):		393,323	393,323	0	-
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	685	685	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	248,102	-	-	248,102
Total Nonoperating Revenues:		248,787	685	-	248,102
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	289,800	40,000	-	249,800
594-595	Capital Expenditures	2,451	2,451	-	-
597	Transfers-Out	248,102	248,102	-	-
Total Nonoperating Expenditures:		540,353	290,553	-	249,800
Net Increase (Decrease) in Cash and Investments:		101,757	103,455	0	(1,698)
Ending Cash and Investments					
5081000	Reserved	364,173	364,173	-	-
5088000	Unreserved	1,009,107	1,009,107	-	-
Total Ending Cash and Investments		1,373,280	1,373,280	-	-

The accompanying notes are an integral part of this statement.

East County Fire and Rescue
Notes to the Financial Statements
For the years ended December 31, 2015,
December 31, 2016, and
December 31, 2017

Note 1 - Summary of Significant Accounting Policies

East County Fire and Rescue was incorporated on May 26, 2006, as the result of a successful merger between Clark County Fire District #1 and Clark County Fire District #9, and operates under the laws of the state of Washington applicable to a Fire Department. East County Fire & Rescue is a special purpose local government and provides fire protection and emergency response services.

East County Fire and Rescue 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 001

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

Special Revenue Funds 101

This is the primary Fund used for accounting of Emergency Medical Services (EMS) Levy funds that are "passed through" East County Fire & Rescue to City of Camas via their EMS fund 6620. The collection and transfer of these funds is done in accordance with a service agreement for the Emergency Medical Transport Services Program. Participants in this agreement include East

County Fire and Rescue, City of Camas, and the City of Washougal.

Debt Service Funds 201

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

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.

In accordance with state law, East County Fire & Rescue also recognizes expenditures paid during 30 days after the close of the fiscal year for claims incurred during the previous period for the years 2015 and 2016. This practice was discontinued in 2017.

C. Budgets

East County Fire & Rescue adopts annual appropriated budgets for the General Fund (6291), the Debt Service fund (6248), and the EMS Levy fund. 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 follow:

2015

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
6291	\$2,086,287	\$1,982,832	\$103,455
Total General Fund	\$2,086,287	\$1,982,832	\$103,455
Debt Service (6248)	\$249,800	\$249,800	\$0
EMS Levy Passthrough	\$418,785	418,785\$	\$0

2016

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
6291	\$2,704,848	\$1,999,749	\$705,099
Total General Fund	\$2,704,848	\$1,999,749	\$705,099
Debt Service (6248)	\$246,973	\$246,973	\$0

EMS Levy Passthrough	\$429,347	\$429,347	\$0

2017

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
6291	\$2,210,976	\$2,135,554	\$75,422
Total General Fund	\$2,210,976	\$2,135,554	\$75,422
Debt Service (6248)	\$243,620	\$243,620	\$0
EMS Levy Passthrough	\$436,672	\$436,672	\$0

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

D. Cash and Investments

See Note 2, *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. Capital assets and inventory are recorded as capital expenditures when purchased. All capital and attractive assets are issued an inventory tag and are entered into the inventory tracking system.

F. Compensated Absences

2015 -Vacation leave may be accumulated up to two times the annual accrual amount for full time firefighters and administrative personnel. Part time personnel may accrue 28.8 hours of PTO but may only carry over 12 hours from one year to the next. Accrued vacation or PTO is payable upon separation or retirement.

2016 and 2017- Vacation leave may be accumulated up to one and one half times the annual accrual amount for full time firefighters. Administrative personnel may accrue up to two times the annual accrual amount. Part time personnel may accrue 28.8 hours of PTO but may only carry over 12 hours from one year to the next. Accrued vacation or PTO is payable upon separation or retirement.

2015 - Full-Time Employees working a 24/48 schedule shall be granted 96 hours of floating holiday hours per calendar year (pro-rated at date of hire). Employees working a 40 hour work week are granted 16 hours of floating holiday hours per calendar year. Floating holiday hours, shall not be carried over from one year to the next. Upon separation or retirement, accrued-but unused, floating holiday hours that are remaining will be paid at the employee's current rate of pay, unless terminated

for gross misconduct.

2016 - Full-Time Employees working a 24/48 schedule are no longer granted 96 hours of floating holiday hours per calendar year. This change was part of the negotiated Fire Fighters Local No. 2444 2016 contract. Employees working a 40 hour work week are granted 16 hours of floating holiday hours per calendar year. Floating holiday hours, shall not be carried over from one year to the next. Upon separation or retirement, accrued-but unused, floating holiday hours that are remaining will be paid at the employee's current rate of pay, unless terminated for gross misconduct.

2017 – Administrative employees are granted two paid floating holidays per calendar year. Floating holiday hours, shall not be carried over from one year to the next. Upon separation or retirement, accrued-but unused, floating holiday hours that are remaining will be paid at the employee's current rate of pay, unless terminated for gross misconduct.

2015 - Earned leave is granted to full-time employees following any calendar quarter where he/she does not utilize sick time during that quarter. Employees working a 40 hour work week earn 4 hours per quarter and employees working a 24/48 hour schedule earn 6 hours per quarter. These hours must be used by March 31 of each year or they are annulled. Earned leave that is still valid is payable upon separation or retirement.

2016 - Earned leave is no longer granted to full-time employees represented by Fire Fighters Local No. 2444 or OPEIU Local No. 11. This change was part of the 2016 negotiated contracts for both unions. Time off in lieu of sick leave is granted to the Deputy Chief, as described in the "Deputy Chief's Employment Contract". The Deputy Chief earns 4 hours of leave following any calendar quarter where he/she does not utilize sick time during that quarter. These hours must be used within the first three months following the Deputy Chief's anniversary date. Earned leave that is still valid is payable upon separation or retirement.

2017 – Time off in lieu of sick leave is granted to the Deputy Chief, as described in the "Deputy Chief's Employment Contract". The Deputy Chief earns 4 hours of leave following any calendar quarter where he/she does not utilize sick time during that quarter. These hours must be used within the first three months following the Deputy Chief's anniversary date. Earned leave that is still valid is payable upon separation or retirement.

2015 - Sick leave may be accumulated up to 1040 hours for employees working a 40 hour week or 1540 for employees working a 24/48 hour schedule. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

2016 – The Deputy Chief may accumulate up to 1040 hours of sick leave. Employees represented by Fire Fighters Local No. 2444 may accumulate up to 1352 hours of sick leave. Employees represented by OPEIU Local No. 11 may accumulate up to 1200 hours of sick leave. These changes are part of 2016 negotiated contracts. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

2017 – The Deputy Chief may accumulate up to 1040 hours of sick leave. Employees represented by Fire Fighters Local No. 2444 may accumulate up to 1352 hours of sick leave. Employees represented by OPEIU Local No. 11 may accumulate up to 1200 hours of sick leave. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

In 2015 the government's Other Financing Sources or Uses consisted primarily of funds derived from DNR timber sales, a SAFER Volunteer Recruitment grant, and Washington State Wildfire Mobilizations.

I. 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 resolution of the Fire Commissioner Board. When expenditures that meet restrictions are incurred, East County Fire & Rescue intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

2015 year end balance of funds held in reserve:

Sub-Fund 6291-1	Apparatus Replacement	\$298,832.76
Sub-Fund 6291-2	Capital Facility	\$ 20,908.02
Sub-Fund 6291-3	Leave Accrual	\$ 42,408.73
Sub-Fund 6291-5	Plans Trailer Copier	\$ 2,023.08

2016 year end balance of funds held in reserve:

Sub-Fund 6291-1	Apparatus Replacement	\$749,750.66
Sub-Fund 6291-2	Capital Facility	\$ 41,570.82
Sub-Fund 6291-3	Leave Accrual	\$ 42,701.78
Sub-Fund 6291-5	Plans Trailer Copier	\$ 2,037.06

2017 year end balance of funds held in reserve:

Sub-Fund 6291-1	Apparatus Replacement	\$510,496.32
Sub-Fund 6291-2	Capital Facility	\$ 41,976.63
Sub-Fund 6291-3	Leave Accrual	\$ 43,118.63
Sub-Fund 6291-4	Equipment Reserve	\$ 86,445.37
Sub-Fund 6291-5	Plans Trailer Copier	\$ 2,056.92

Note 2 – Deposits and Investments

East County Fire & Rescue cash and investments are held by the Clark County Treasurer, in the Clark County Investment Pool, as its agent in the District's name. All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission, where appropriate. All of the investments, within the Clark County investment pool, including the portion that is held at the State LGIP, is either insured, guaranteed (implied or expressly), or collateralized.

The District's interest in the investment pool on December 31, 2015 was \$1,426,615.22, which is stated at fair market value. Investments in the County's pool are not subject to categorization as specific instruments cannot be distinguished between those participating in the pool.

The District's interest in the investment pool on December 31, 2016 was \$2,124,099.13, which is stated at fair market value. Investments in the County's pool are not subject to categorization as specific instruments cannot be distinguished between those participating in the pool.

The District's interest in the investment pool on December 31, 2017 was \$2,153,800.35, which is stated at fair market value. Investments in the County's pool are not subject to categorization as specific instruments cannot be distinguished between those participating in the pool.

Note 3 - Property Tax

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

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

East County Fire and Rescue's regular levy for the year **2015** was \$1.4999999967 per \$1,000 on an assessed valuation of \$1,195,923,976 for a total regular levy of \$1,793,885.96.

East County Fire and Rescue's regular levy for the year **2016** was \$1.4740988892 per \$1,000 on an assessed valuation of \$1,322,776,609 for a total regular levy of \$1,949,903.53.

East County Fire and Rescue's regular levy for the year **2017** was \$1.3653963965 per \$1,000 on an assessed valuation of \$1,465,585,983 for a total regular levy of \$2,001,105.82.

East County Fire & Rescue also levied an amount for Emergency Transport Services. When collected, these funds are automatically transferred to City of Camas (Fund 6620) and used to defray EMS costs incurred by the District. The collection and transfer of these funds is done in accordance with a service agreement for the Emergency Medical Transport Services Program. Participants in this agreement include East County Fire and Rescue, City of Camas, and the City of Washougal.

The EMS levy rate for **2015** was \$0.35 per \$1,000 on an assessed valuation of \$1,195,923,976 for a total EMS levy of \$418,573.39.

The EMS levy rate for **2016** was \$0.3237434931 per \$1,000 on an assessed valuation of \$1,322,776,609 for a total EMS levy of \$428,240.32.

The EMS levy rate for **2017** was \$0.2994272565 per \$1,000 on an assessed valuation of \$1,465,585,983 for a total EMS levy of \$438,836.39.

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of

the district and summarizes the district debt transactions for year ended **December 31, 2015**.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$180,000.00	\$66,972.50	\$246,972.50
2017	\$180,000.00	\$63,620.00	\$243,620.00
2018	\$190,000.00	\$59,887.50	\$249,887.50
2019	\$200,000.00	\$55,817.50	\$255,817.50
2020	\$200,000.00	\$50,777.50	\$250,777.50
2021 – 2025	\$845,000.00	\$161,940.00	\$1,006,940.00
2026 – 2027	\$350,000.00	\$30,880.00	\$380,880.00
TOTALS	<u>\$2,145,000.00</u>	<u>\$489,895.00</u>	<u>\$2,634,895.00</u>

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$180,000.00	\$63,620.00	\$243,620.00
2018	\$190,000.00	\$59,887.50	\$249,887.50
2019	\$200,000.00	\$55,817.50	\$255,817.50
2020	\$200,000.00	\$50,777.50	\$250,777.50
2021	\$210,000.00	\$45,717.50	\$255,717.50
2022 - 2026	\$680,000.00	\$132,262.50	\$812,562.50
2027	\$305,000.00	\$14,540.00	\$319,540.00
TOTALS	<u>\$1,965,000.00</u>	<u>\$422,622.50</u>	<u>\$2,387,922.50</u>

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district debt transactions for year ended **December 31, 2017**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$190,000.00	\$59,887.50	\$249,887.50
2019	\$200,000.00	\$55,817.50	\$255,817.50
2020	\$200,000.00	\$50,777.50	\$250,777.50
2021	\$210,000.00	\$45,717.50	\$255,717.50
2022	\$220,000.00	\$40,302.50	\$206,302.50
2023 - 2027	\$765,000.00	\$106,800.00	\$871,800.00
TOTALS	<u>\$1,785,000.00</u>	<u>\$359,302.50</u>	<u>\$2,090,302.50</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all East County Fire & Rescue full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans LEOFF II, PERS II, and PERS III.

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.

East County Fire & Rescue 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**, East County Fire & Rescue's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.001778%	\$93,006
PERS 2/3	0.002297%	\$82,073
LEOFF 2	0.025479%	(\$261,873)
VFFRPF	0.34%	(\$64,723.56)

At **June 30, 2016**, East County Fire & Rescue's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.001644%	\$88,291
PERS 2/3	0.002106%	\$106,035
LEOFF 2	0.023053%	(\$134,083)
VFFRPF	0.26%	(\$45,180.59)

At **June 30, 2017**, East County Fire & Rescue's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$10,633	0.001768%	\$83,878
PERS 2/3	\$13,888	0.002274%	\$79,001
LEOFF 2	\$34,099.43	0.021586%	(\$299,538)
VFFRPF	\$270	0.13%	(\$46,804.04)

LEOFF Plan 2

East County Fire & Rescue 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

East County Fire & Rescue is a member of Clark County Fire Rescue Risk Management Group, Inc. MacIlvennie Associates, Inc. is the insurer for the Clark County Fire & Rescue Management Group. This is a joint venture with Clark County FPD #6, Clark County Fire & Rescue, Cowlitz 2 Fire & Rescue, Cowlitz County FPD #6, and the Fairgrounds Fire Facility Board. Insurance coverage within the risk management pool includes auto, buildings, personal property, and general liability. Deductibles for coverage within the risk pool are as follows: Buildings and personal property \$500, loss due to flood \$1000, earthquake 2%, automobile \$250, portable equipment \$100. Financial statements for the Clark County Fire Rescue Risk Management Group can be obtained from Clark County Fire District #6, in Vancouver, Washington.

Note 7 - Other Disclosures

2015

January 8, 2015, the District's Fire Chief was terminated, without cause. This termination resulted in a severance payment of \$86,683.16 plus employer payroll tax totaling \$1,256.91. The Fire Chief's severance terms were defined in his employment contract and consisted of the following:

	Current Monthly Salary, Prorated to Jan 8, 2015 (Paid as normal January 23 paycheck)	
\$600.00	Out of Pocket Expenses	Life Insurance reimbursement, Paragraph 3.14.1
\$19,280.64	Accrued Leave	360 hrs. vacation, 16 hrs. floating holiday, 8 hrs. earned leave
\$52,222.68	6 Months Severance Pay	6 months at \$8703.78
\$4,020.17	Six Months LEOFF and Disability	LEOFF \$2731.25, Provident AD&D \$557.58, Trusteed Disability \$731.34
\$3,237.81	Deferred Comp	6.2% of 6 months severance
\$7,321.86	6 Months Medical/Dental Insurance	\$1230.31 per month for employee and spouse. Deduct \$10 per month for spouse

The District's Deputy Chief served as interim Chief from January 9, 2015 until he retired on November 13,

2015. His retirement resulted in a payout of accrued leave totaling \$14,105.16 plus payroll taxes.

2016

January 19, 2016 – The Board passed a motion to sell Station 96 (residence located at 39801 NE 26 St.). Sale of the station was final on 9/20/2016. Sale price was \$475,000. Net funds to the District, after taxes, fees, and commissions, \$440,740.84.

November 19, 2015 – The District entered into an agreement with Emergency Services Consulting International for the services of an Interim Administrative Chief for the sum of \$11,500 per month. This agreement ended 4/19/2016. At that time the Board entered into a Consulting Services Agreement with Al Gillespie to provide the same services for the sum of \$10,000 per month. This agreement remained in effect until November 1, 2016.

October 25, 2016 – The Board entered into an agreement with the City of Camas for Fire Chief Administration and Management Services. The cost of this agreement is \$3000 per month.

October 2016 - \$448,102 transferred to reserve fund for apparatus replacement, Resolution #211-10042016. \$20,484 transferred to reserve fund for capital facilities, Resolution #212-10042016.

Administrative staff joined OPEIU Local No. 11. Negotiated contract signed July 20, 2016.

2017

March 1, 2017 – The District implemented the use of BIAS Financial Software. The previous software (Peachtree Sage) fell short of the needs of the District. Most notably it did not track beginning and ending balances. All previous transactions, beginning January 1, 2017, were entered in BIAS so that all transactions for the year were reportable from BIAS. At the same time the District began issuing warrants to District vendors. This eliminated the need to send transmittals to the Clark County Auditor for payment. District funds remain in the Clark County Treasurer's investment pool. The Clark County Treasurer funds the bank account that District warrants are drawn from, as needed.

April 1, 2017 – The District began processing and paying all District payroll. District payroll was previously processed by the Clark County Auditor. District payroll is also managed in the BIAS Financial Software. All of the previous payroll transactions that were processed through the Clark County Auditor were entered into BIAS. Therefore all transactions for the year are reportable from BIAS. The Clark County Treasurer funds the bank account for payroll as needed. The District was part of and contributed to the Clark County "Reimbursable Pool" for Unemployment Insurance when payroll was managed by the Clark County Auditor. The District became responsible for the District's Unemployment Insurance at the time that the District assumed responsibility for payroll. The District's Unemployment Insurance status remained as "Reimbursable" until January 2018 when the District's status changed to "Taxable".

During the 2015/2016 SAO audit it became apparent that the District's beginning and ending balances were over stated. The District had been using the ending balance as reported by the Clark County Treasurer which did not account for open period expenditures. The Clark County Treasurer's method of reporting payroll expenditures also contributed to the over statement. A Prior Period Adjustment (5880000) in the amount of \$59,012 was made to the 2015 Schedule 1 after completing a month by month reconciliation for 2015 through 2017. The adjustment was necessary to correct beginning and ending balances for subsequent years. It is unclear how long the beginning and ending balances were reported incorrectly. At the end of 2017 the District discontinued the practice of using an open period. With the District's current practice of issuing warrants and managing payroll the Clark County Treasurer's financial statements match the District records. These

changes have reduced, or eliminated, the likelihood of future errors caused by misinterpreting Clark County Treasurer reports.

In December, 2016 the District agreed to purchase a new Rosenbauer fire engine utilizing a NJPA awarded contract. A down payment of \$245,876.04 was made in September, 2017. The remaining balance to be paid upon delivery in 2018. Funds reserved for apparatus replacement were used for this transaction.

An agreement with the City of Camas for Fire Chief Administration and Management Services was renewed. The cost of this agreement increased to \$3090 per month.

**East County Fire and Rescue
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	General Obligation Non-Voted	12/31/2027	505,000	-	35,000	470,000
251.11	General Obligation Non-Voted	12/31/2027	1,460,000	-	145,000	1,315,000
263.98	Net Pension Liability		194,326	-	31,447	162,879
Total General Obligation Debt/Liabilities:			2,159,326	-	211,447	1,947,879
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		43,372	13,990	-	57,362
Total Revenue and Other (non G.O.) Debt/Liabilities:			43,372	13,990	-	57,362
Total Liabilities:			2,202,698	13,990	211,447	2,005,241

**East County Fire and Rescue
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						
251.11	General Obligation Non-Voted	12/31/2027	540,000	-	35,000	505,000
251.11	General Obligation Non-Voted	12/31/2027	1,605,000	-	145,000	1,460,000
263.98	Net Pension Liability		175,079	19,247	-	194,326
Total General Obligation Debt/Liabilities:			2,320,079	19,247	180,000	2,159,326
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		43,563	-	191	43,372
263.52	Purchase Agreement for Radios 04/24/2015	12/31/2021	138,343	-	138,343	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			181,906	-	138,534	43,372
Total Liabilities:			2,501,985	19,247	318,534	2,202,698

**East County Fire and Rescue
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	General Obligation Non-Voted	12/31/2027	575,000	-	35,000	540,000
251.11	General Obligation Non-Voted	12/31/2027	1,750,000	-	145,000	1,605,000
263.98	Net Pension Liability		-	175,079	-	175,079
Total General Obligation Debt/Liabilities:			2,325,000	175,079	180,000	2,320,079
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		55,305	-	11,742	43,563
263.52	Purchase Agreement for Radios	12/31/2021	-	174,192	35,849	138,343
Total Revenue and Other (non G.O.) Debt/Liabilities:			55,305	174,192	47,591	181,906
Total Liabilities:			2,380,305	349,271	227,591	2,501,985

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