



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Yakima County Fire Protection
District No. 5

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

Published November 15, 2018

Report No. 1022612





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

November 15, 2018

Board of Commissioners
Yakima County Fire Protection District No. 5
Zillah, Washington

Report on Financial Statements

Please find attached our report on Yakima County Fire Protection District No. 5'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**

**Yakima County Fire Protection District No. 5
January 1, 2015 through December 31, 2017**

Board of Commissioners
Yakima County Fire Protection District No. 5
Zillah, 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 Yakima County Fire Protection District No. 5, 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 8, 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 opinions 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 8, 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 8, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Yakima County Fire Protection District No. 5 January 1, 2015 through December 31, 2017

Board of Commissioners
Yakima County Fire Protection District No. 5
Zillah, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Yakima County Fire Protection District No. 5, 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 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, Yakima County Fire Protection District No. 5 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 Yakima County Fire Protection District No. 5, 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 Yakima County Fire Protection District No. 5, 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 8, 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

November 8, 2018

FINANCIAL SECTION

Yakima County Fire Protection District No. 5 January 1, 2015 through December 31, 2017

FINANCIAL STATEMENTS

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Yakima County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 CURRENT FIRE EXPENSE FUND 602.51	100 EMS EXPENSE FUND 602.54
Beginning Cash and Investments				
30810	Reserved	1,029,155	390,200	638,955
30880	Unreserved	5,545,950	5,545,950	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	3,577,638	3,077,701	499,937
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	730,388	728,796	1,592
340	Charges for Goods and Services	540,203	533,993	6,211
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	168,457	161,593	6,864
Total Revenues:		5,016,686	4,502,083	514,604
Expenditures				
510	General Government	-	-	-
520	Public Safety	3,784,031	3,175,068	608,963
Total Expenditures:		3,784,031	3,175,068	608,963
Excess (Deficiency) Revenues over Expenditures:		1,232,655	1,327,015	(94,359)
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	26,116	26,116	-
Total Other Increases in Fund Resources:		26,116	26,116	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	1,618,260	1,405,877	212,383
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	434	434	-
Total Other Decreases in Fund Resources:		1,618,694	1,406,311	212,383
Increase (Decrease) in Cash and Investments:		(359,923)	(53,180)	(306,742)
Ending Cash and Investments				
5081000	Reserved	726,988	394,775	332,213
5088000	Unreserved	5,488,194	5,488,194	-
Total Ending Cash and Investments		6,215,182	5,882,969	332,213

The accompanying notes are an integral part of this statement.

Yakima County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 CURRENT FIRE EXPENSE FUND 602.51	100 EMS EXPENSE FUND 602.54
Beginning Cash and Investments				
30810	Reserved	1,046,521	387,004	659,517
30880	Unreserved	5,785,222	5,785,222	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	3,430,229	2,965,735	464,494
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	20,766	18,838	1,927
340	Charges for Goods and Services	576,078	563,444	12,634
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	106,609	100,794	5,815
Total Revenues:		4,133,682	3,648,812	484,871
Expenditures				
510	General Government	-	-	-
520	Public Safety	3,516,269	2,973,031	543,238
Total Expenditures:		3,516,269	2,973,031	543,238
Excess (Deficiency) Revenues over Expenditures:		617,413	675,780	(58,368)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	37,806	-	37,806
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	43,885	43,885	-
Total Other Increases in Fund Resources:		81,691	43,885	37,806
Other Decreases in Fund Resources				
594-595	Capital Expenditures	917,001	917,001	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	37,806	37,806	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	935	935	-
Total Other Decreases in Fund Resources:		955,742	955,742	-
Increase (Decrease) in Cash and Investments:		(256,638)	(236,077)	(20,562)
Ending Cash and Investments				
5081000	Reserved	1,029,155	390,200	638,955
5088000	Unreserved	5,545,950	5,545,950	-
Total Ending Cash and Investments		6,575,105	5,936,150	638,955

The accompanying notes are an integral part of this statement.

Yakima County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 CURRENT FIRE EXPENSE FUND 602.51	100 EMS EXPENSE FUND 602.54
Beginning Cash and Investments				
30810	Reserved	1,060,502	384,282	676,220
30880	Unreserved	5,449,311	5,449,311	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	3,386,314	2,903,673	482,641
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	115,351	113,522	1,829
340	Charges for Goods and Services	447,700	431,697	16,004
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	91,633	86,823	4,810
Total Operating Revenues:		4,040,998	3,535,715	505,283
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	3,296,698	2,774,711	521,986
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		3,296,698	2,774,711	521,986
Net Operating Increase (Decrease):		744,300	761,004	(16,703)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	22,173	22,173	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		22,173	22,173	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	42,703	42,703	-
591-593	Debt Service	-	-	-
594-595	Capital Expenditures	401,841	401,841	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		444,544	444,544	-
Net Increase (Decrease) in Cash and Investments:		321,929	338,633	(16,703)
Ending Cash and Investments				
5081000	Reserved	1,046,521	387,004	659,517
5088000	Unreserved	5,785,222	5,785,222	-
Total Ending Cash and Investments		6,831,743	6,172,226	659,517

The accompanying notes are an integral part of this statement.

Yakima County Fire District #5
Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The Yakima County Fire District #5 was incorporated on June 11th 1947 and operates under the laws of the state of Washington applicable to a District. The District is a special purpose local government and provides fire protection services and emergency medical services to the general public and to the Yakama Indian Nation Lands that lie within the District.

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. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

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

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

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total 001 - CURRENT FIRE EXPENSE FUND 602.51	4,906,200.00	4,581,378.98	324,821.02
100 - EMS EXPENSE FUND 602.54	835,750.00	821,346.05	14,403.95

Budgeted amounts are authorized to be transferred between departments within any fund/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 the District'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 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 237 days with a maximum of 225 days carryover. Upon separation or retirement employees do receive payment for unused sick leave. Payments are recognized as expenditures when paid. Sick leave can be used for illness or injury of the employee, preventative health care of the employee or the illness, injury, preventative health care of the employee's relatives to include: spouse, child, grandchild, stepchild, foster child, grandparents of the employee or parent of the employee, parent-in-law, register domestic partner, as well as bereavement leave, birth or adoption of a child. Half of the employee's sick leave days over 225 days each year will, on December 31st, be deposited into the employee's HRA VEBA account based on the employee's current salary rate. An employee receives payment, or can have proceeds deposited into their individual HRA VEBA account, for one-half of their sick leave balance upon separation at their current salary rate at the time of separation if they have worked for the District for 15 or more years. The choice depends on how the HRA VEBA contract is written

each year.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. 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:

001-General Fund \$394,744 reserved by resolution
100 – EMS Fund \$332,212 reserved for EMS Operations

Note 2 – Deposits and Investments

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

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 county or its agent in the government's name.

Investments are reported at cost. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	District's own investments	Investments held by the county as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	<u>\$6,169,250</u>	<u>\$</u>	<u>\$6,169,250</u>
Total	<u>\$6,169,250</u>	<u>\$</u>	<u>\$6,169,250</u>

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 after the end of each month.

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

The Districts regular levy for the year 2017 was \$1.35154553 per \$1,000 on an assessed valuation of \$2,267,426,580 for a total regular levy of \$3,064,530.25.

Note 4 – Pension Plans

A. State Sponsored Pension Plans

Substantially all 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 PERS I, II ,III , LEOFF I,II and VFFRPF.

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

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

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

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

The 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, 2017 (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:

Plan Type	Employer Contributions	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1 UAAL	17,442.67	4,745,078,000.00	0.002900%	137,595	
PERS 2/3	22,781.75	3,474,522,000.00	0.003730%	129,596	
LEOFF 1		(1,517,220.00)	0.008824%		(133,879)
LEOFF 2	59,571.40	(1,387,676,000.00)	0.03770983%		(523,290)
VFFRPF	1,530.00	(37,100,000.00)	0.710000%		(265,223)
				\$ 267,191	\$ (788,647)

LEOFF Plan 1

The District also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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 5 – Risk Management

Yakima County Fire District No. 5 is responsible for 100% of the cost of all Medical care as required by the State of Washington, for all LEOFF I pan retirees.

Yakima County Fire District No.5 is self-insured for Unemployment Benefits and therefore responsible for the cost of all unemployment benefits a District employee would be eligible to receive, as required by the State of Washington.

Note 6 - Other Disclosures

Apparatus Agreements

The District has Inter Governmental Agreements with surrounding Cities to provide a joint owned Fire and Rescue Apparatus to provide adequate and necessary Rescue/ Emergency Medical Services and /or Fire Suppression/Rescue Services. The District bills each City fifty percent (50%) of all maintenance and operation costs quarterly.

The Agreement is automatically renewed every year unless a written notice of termination is given by either party 60 days prior to December 31st.

Station Agreements

The District has Inter local Agreements with surrounding Cities to provide a joint fire station servicing the Cities and the surrounding area.

The Agreement is automatically renewed every year unless a written notice of termination is given by either party 60 days prior to the date specified on the agreement.

Business & Private Agreements

The District has several Agreements with different agencies for services and for Land agreements. Most of these Agreements are reviewed each year and renewed depending on the need of the district, however some have a longer term.

Government Agreements

The District has Inter local Agreement's with other Government Agencies for services such as Emergency Medical/Fire and Rescue services, Networking, State Mobilization Plans/Assistance and other services.

Communication Site Agreements

The District has Agreements with various property owners for the purpose of servicing a site for Radio/Telecommunication Equipment.

Yakima County Fire District #5
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The Yakima County Fire District #5 was incorporated on June 11th 1947 and operates under the laws of the state of Washington applicable to fire districts. The District is a special purpose local government and provides fire protection services and emergency medical services to the general public and to the Yakama Indian Nation Lands that lie within the District.

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.
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- All funds are presented, rather than a focus on major funds.
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- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

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

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

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total 001 - CURRENT FIRE EXPENSE FUND 602.51	4,138,500.00	3,928,772.58	209,727.42
100 - EMS EXPENSE FUND 602.54	576,650.00	543,238.46	33,411.54

Budgeted amounts are authorized to be transferred between departments within any fund/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 the District's legislative body.

D. Cash and Investments

See Note 3, *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 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 237 days with a maximum of 225 days carryover. Upon separation or retirement employees do receive payment for unused sick leave. Payments are recognized as expenditures when paid. Sick leave can be used for illness or injury of the employee, preventative health care of the employee or the illness, injury, preventative health care of the employee's relatives to include: spouse, child, grandchild, stepchild, foster child, grandparents of the employee or parent of the employee, parent-in-law, register domestic partner, as well as bereavement leave, birth or adoption of a child. Half of the employee's sick leave days over 225 days each year will, on December 31st, be deposited into the employee's HRA VEBA account based on the employee's current salary rate. An employee receives payment, or can have proceeds deposited into their individual HRA VEBA account, for one-half of their sick leave balance upon separation at their current salary rate at the time of separation if they have worked for the District for 15 or more years. The choice depends on how the HRA VEBA contract is written

each year.

G. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of Sale of Surplus Equipment and Employee Benefit Payroll Clearing.

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 Board of Commissioners. 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:

001- General Fund \$390,200 reserved by resolution
100 – EMS Fund \$638,955 reserved for EMS Operations

Note 2 - Property Tax

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

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

The Districts regular levy for the year 2016 was \$1.341165214178 per \$1,000 on an assessed valuation of \$2,219,817,565 for a total regular levy of \$2,977,142.10.

Note 3 – Deposits and Investments

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

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 county or its agent in the government's name.

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

<u>Type of Investment</u>	District's own investments	Investments held by the county as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ <u>6,550,658</u>	\$ _____	\$ <u>6,550,658</u>
Total	\$ <u>6,550,658</u>	\$ _____	\$ <u>6,550,658</u>

Note 4 – Pension Plans

A. State Sponsored Pension Plans

Substantially all 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 PERS I,II, III, LEOFF I,II and VFFRPF.

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

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

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

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

The 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	0.000750%	40,279
PERS 1 UAAL	0.002660%	142,855
PERS 2/3	0.003405%	171,439
LEOFF 1	0.009082%	(93,571)
LEOFF 2	0.037784%	(219,763))
VFFRPF	0.590000%	(101,656)

LEOFF Plan 1

The District also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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 5 – Risk Management

Yakima County Fire District No. 5 is responsible for 100% of the cost of all Medical care as required by the State of Washington, for all LEOFF I pan retirees.

Yakima County Fire District No.5 is self-insured for Unemployment Benefits and therefore responsible for the cost of all unemployment benefits a District employee would be eligible to receive, as required by the State of Washington.

Note 6 - Other Disclosures

Inter Local Agreements –

Apparatus Agreements

The District has Inter local Agreements with surrounding Cities to provide a joint owned Fire Rescue Apparatus to provide adequate and necessary Rescue/ Emergency Medical Services and /or Fire Suppression/Rescue Services. The District bills each City fifty percent (50%) of all maintenance and operation costs quarterly.

The Agreement is automatically renewed every year unless a written notice of termination is given by either party 60 days prior to December 31st.

Station Agreements

The District has Inter local Agreements with surrounding Cities to provide a joint fire station servicing the Cities and the surrounding area.

The Agreement is automatically renewed every year unless a written notice of termination is given by either party 60 days prior to the date specified on the agreement.

Business & Private Agreements

The District has several Agreements with different agencies for services and for Land agreements. Most of these Agreements are reviewed each year and renewed depending on the need of the district, however some have a longer term.

Government Agreements

The District has Inter local Agreement's with other Government Agencies for services such as Emergency

Medical/Fire and Rescue services, Networking, State Mobilization Plans/Assistance and other services.

Communication Site Agreements

The District has Agreements with various property owners for the purpose of servicing a site for Radio/Telecommunication Equipment.

Yakima County Fire District #5
Notes to the Financial Statements
For the year ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The Yakima County Fire District #5 was incorporated on June 11th 1947 and operates under the laws of the state of Washington applicable to fire districts. The District is a special purpose local government and provides fire protection services and emergency medical services to the general public and to the Yakama Indian Nation Lands that lie within the District.

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.

Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

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.

Budgets

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

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

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
Total 001 - CURRENT FIRE EXPENSE FUND 602.51	3,450,250.00	3,219,254.82	230,995.18
100 - EMS EXPENSE FUND 602.54	569,850.00	521,986.47	47,863.53

Budgeted amounts are authorized to be transferred between departments within any fund/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 the District's legislative body.

Cash and Investments

See Note 3, *Deposits and Investments*.

Capital Assets

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

Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 237 days with a maximum of 225 days carryover. Upon separation or retirement employees do receive payment for unused sick leave. Payments are recognized as expenditures when paid. Sick leave can be used for illness or injury of the employee, preventative health care of the employee or the illness, injury, preventative health care of the employee's relatives to include: spouse, child, grandchild, stepchild, foster child, grandparents of the employee or parent of the employee, parent-in-law, register domestic partner, as well as bereavement leave, birth or adoption of a child. Half of the employee's sick leave days over 225 days each year will, on December 31st, be deposited into the employee's HRA VEBA account based on the employee's current salary rate. An employee receives

payment, or can have proceeds deposited into their individual HRA VEBA account, for one-half of their sick leave balance upon separation at their current salary rate at the time of separation if they have worked for the District for 15 or more years. The choice depends on how the HRA VEBA contract is written each year.

Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of Sale of Surplus Equipment and Employee Benefit Payroll Clearing.

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 Board of Commissioners. 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:

001-General Fund \$387,004 Reserved by Resolution
100 – EMS Fund \$659,517 reserved for EMS Operation

Note 2 - Property Tax

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

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

The District's regular levy for the year 2015 was \$1.359543355862 per \$1,000 on an assessed valuation of \$2,142,992,842 for a total regular levy of \$2,913,491.68.

Note 3 – Deposits and Investments

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

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 county or its agent in the government's name.

Investments are reported at cost. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	District's own investments	Investments held by the county as an agent for other local governments, individuals or private organizations.	Total
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L.G.I.P. \$6,773,709 \$ _____ \$6,773,709

Total \$6,773,709 \$ _____ \$6,773,709

Note 4 – Pension Plans

State Sponsored Pension Plans

Substantially all 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 PERS I, II, III, LEOFF I, II and VFFRPF.

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:

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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	0.001093%	57,174
PERS 1 UAAL	0.002341%	122,456
PERS 2/3	0.003025%	108,085
LEOFF 1	0.009384%	(113,098)
LEOFF 2	0.038091%	(391,499)

VFFRPF	0.34%	(64,724)

LEOFF Plan 1

The District also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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 5 – Risk Management

Yakima County Fire District No. 5 is responsible for 100% of the cost of all Medical care as required by the State of Washington, for all LEOFF Plan retirees.

Yakima County Fire District No.5 is self-insured for Unemployment Benefits and therefore responsible for the cost of all unemployment benefits a District employee would be eligible to receive, as required by the State of Washington.

Note 6 - Other Disclosures

Inter Local Agreements –

Apparatus Agreements

The District has Inter local Agreements with surrounding Cities to provide a joint owned Fire Rescue Apparatus to provide adequate and necessary Rescue/ Emergency Medical Services and /or Fire Suppression/Rescue Services. The District bills each City fifty percent (50%) of all maintenance and operation costs quarterly.

The Agreement is automatically renewed every year unless a written notice of termination is given by either party 60 days prior to December 31st.

Station Agreements

The District has Inter local Agreements with surrounding Cities to provide a joint fire station servicing the Cities and the surrounding area.

The Agreement is automatically renewed every year unless a written notice of termination is given by either party 60 days prior to the date specified on the agreement.

Business & Private Agreements

The District has several Agreements with different agencies for services and for Land agreements. Most of these Agreements are reviewed each year and renewed depending on the need of the district, however some have a longer term.

Government Agreements

The District has Inter local Agreement's with other Government Agencies for services such as Emergency Medical/Fire and Rescue services, Networking, State Mobilization Plans/Assistance and other services.

Communication Site Agreements

The District has Agreements with various property owners for the purpose of servicing a site for Radio/Telecommunication Equipment.

Yakima County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2017

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		386,951	-	9,999	376,952
264.30	Pension Liabilities		354,572	-	87,381	267,191
Total Revenue and Other (non G.O.) Debt/Liabilities:			741,523	-	97,380	644,143
Total Liabilities:			741,523	-	97,380	644,143

Yakima County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Net Pension Liability		287,715	66,857	-	354,572
259.12	Comensated Absences		366,098	20,853	-	386,951
Total Revenue and Other (non G.O.) Debt/Liabilities:			653,813	87,710	-	741,523
Total Liabilities:			653,813	87,710	-	741,523

Yakima County Fire Protection District No. 5
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						
264.30	Net Pension Liability		-	287,715	-	287,715
259.12	Compensated Absences		307,724	58,374	-	366,098
Total Revenue and Other (non G.O.) Debt/Liabilities:			307,724	346,089	-	653,813
Total Liabilities:			307,724	346,089	-	653,813

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