



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Cowlitz County Fire Protection District No. 5

For the period January 1, 2021 through December 31, 2022

Published January 22, 2024

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

January 22, 2024

Board of Commissioners
Cowlitz County Fire Protection District No. 5
Kalama, Washington

Report on Financial Statements

Please find attached our report on Cowlitz County Fire Protection District No. 5's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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*

Cowlitz County Fire Protection District No. 5 January 1, 2021 through December 31, 2022

Board of Commissioners
Cowlitz County Fire Protection District No. 5
Kalama, 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 Cowlitz County Fire Protection District No. 5, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 16, 2024.

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 state law 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.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

January 16, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Cowlitz County Fire Protection District No. 5 January 1, 2021 through December 31, 2022

Board of Commissioners
Cowlitz County Fire Protection District No. 5
Kalama, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Cowlitz County Fire Protection District No. 5, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Cowlitz County Fire Protection District No. 5, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, on the basis of accounting described in Note 1.

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 Cowlitz County Fire Protection District No. 5, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 state law and the BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024 on our consideration of the District's internal control over financial reporting and on the 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 the effectiveness of the District's 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 black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 16, 2024

FINANCIAL SECTION

Cowlitz County Fire Protection District No. 5 January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022

Fund Resources and Uses Arising from Cash Transactions – 2021

Notes to Financial Statements – 2022

Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

Schedule of Liabilities – 2021

Cowlitz County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

Beginning Cash and Investments

308	Beginning Cash and Investments	4,777,676
388 / 588	Net Adjustments	-

Revenues

310	Taxes	1,882,094
320	Licenses and Permits	-
330	Intergovernmental Revenues	457,994
340	Charges for Goods and Services	348,925
350	Fines and Penalties	-
360	Miscellaneous Revenues	115,457
Total Revenues:		<u>2,804,470</u>

Expenditures

510	General Government	-
520	Public Safety	2,033,210
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>2,033,210</u>
Excess (Deficiency) Revenues over Expenditures:		771,260

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	17,161
Total Other Increases in Fund Resources:		<u>17,161</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	476,913
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	3,042
Total Other Decreases in Fund Resources:		<u>479,955</u>

Increase (Decrease) in Cash and Investments: 308,466

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	4,077,676
50891	Unassigned	1,008,464
Total Ending Cash and Investments		<u>5,086,140</u>

Cowlitz County Fire Protection District No. 5
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

Beginning Cash and Investments

308	Beginning Cash and Investments	4,134,297
388 / 588	Net Adjustments	-

Revenues

310	Taxes	1,816,308
320	Licenses and Permits	-
330	Intergovernmental Revenues	490,201
340	Charges for Goods and Services	340,354
350	Fines and Penalties	-
360	Miscellaneous Revenues	121,547
Total Revenues:		2,768,410

Expenditures

510	General Government	-
520	Public Safety	1,886,685
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		1,886,685
Excess (Deficiency) Revenues over Expenditures:		881,725

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	2,731
Total Other Increases in Fund Resources:		2,731

Other Decreases in Fund Resources

594-595	Capital Expenditures	238,601
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	2,474
Total Other Decreases in Fund Resources:		241,075

Increase (Decrease) in Cash and Investments: 643,381

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	4,077,676
50851	Assigned	-
50891	Unassigned	700,000
Total Ending Cash and Investments		4,777,676

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

Cowlitz County Fire District 5 was incorporated in 1965 and operates under the laws of the state of Washington applicable to a Fire District. The district is a special purpose local government and provides fire protection and emergency response services to the general public.

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 (see *Notes to 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 presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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.

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.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2022

C. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 336 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1440. Upon separation or retirement, employees do receive payment for unused sick leave. Payments are recognized as expenditures when paid.

The total cost of compensated absences as of December 31, 2022 was \$115,845.

F. Long-Term Debt

See Note 5- *Long-Term Debt (formerly Debt Service Requirements)*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Resolution by the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of \$0.

Note 2 - Budget Compliance

The district adopts an annual appropriated budget for the General 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:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 General Expense Fund	3,002,639.00	2,513,166.57	489,472.43
002 EMS Apparatus Fund	275,000.00		275,000.00
007 Capital Improvement Fund	378,439.00		378,439.00
008 Personnel Liabilities Fund	56,378.00		56,378.00

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2022

Budgeted amounts are authorized to be transferred between departments within any fund 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.

The district had budgeted for interfund transfers that were not completed due to the general fund expenses being less than budgeted for.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

No substantial impact in 2022.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

Note 4 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 22 are as follows:

Type of Deposit or Investment	District's own deposits & investments	Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations.	Combined
State Investment Pool	3,689,332		3,689,332
General Expense Fund with County	1,392,308		1,392,308
Advance Travel Fund	4,000		4,000
Petty Cash	500		500
<i>Totals</i>	5,086,140	0	5,086,140

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is deposited to the 001 General Fund.

The district is a voluntary participant in the county investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2022

in the pool at fair value which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

Note 5 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2022.

The district had no debt as of December 31, 2022 other than compensated absences as detailed in Note 1(E), Retention Benefit - Life Insurance as detailed in Note 6 and Pension and Liabilities as detailed in Note 7.

Note 6 – Other Postemployment Benefits (OPEB Plans)

The district adopted a defined benefit plan in Policy #1-25 Retention Benefit. The defined benefit OPEB plan provides a death benefit for eligible retirees depending on years of service. For the year ended December 31, 2022, the plan had 14 qualified members. The total OPEB liability was \$50,000 on December 31, 2022.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Law Enforcement Officer and Firefighters Retirement System (LEOFF 2) and Public Employees Retirement Systems (PERS 2).

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR 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.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2022

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 ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2022 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	4,238.32	0.00069200%	2,784,367,000	19,268	
PERS 2/3	7,207.66	0.00089700%	(3,708,781,000)		(33,268)
LEOFF 2	42,473.40	0.02051600%	(2,717,698,000)		(557,563)
VFFRPF	390	0.210000%			(57,973)
		<i>Totals</i>		\$ 19,268	\$ (648,804)

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 8 - 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 district. 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 2022 was \$1.14 per \$1,000 on an assessed valuation of \$1,663,694,685 for a total regular levy of \$1,901,675.

Note 9 – Risk Management

The district is a reimbursable employer with the State Employment Security Department. As such, we are 100% responsible for any unemployment claims. For the year 2022, the district paid out \$0 for unemployment claims which was far below what was budgeted.

The district purchases private insurance to insure property and liability risks.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2022

The district provides health and welfare insurance to its employees through the purchase of a health insurance company or HMO.

The district insures worker compensation benefits by paying premiums to the Washington State Department of Labor and Industries.

Note 10 – Other Disclosures

The district matches Local 4447 employee's contributions to the State of Washington Deferred Compensation Plan up to a maximum of 3% of the monthly base salary of the top step (Step 5) firefighter per Labor Agreement dated 12/21/2021.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

Cowlitz County Fire District 5 was incorporated in 1965 and operates under the laws of the state of Washington applicable to a Fire District. The district is a special purpose local government and provides fire protection and emergency response services to the general public.

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 (see *Notes to 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 presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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.

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.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2021

C. Cash and Investments

See Note 4- *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 336 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1440 hours. Upon separation or retirement, employees do not receive payment for unused sick leave. Upon separation, part-time employees do not receive payment for unused Washington Paid Sick Leave. Payments are recognized as expenditures when paid.

The total cost of compensated absences as of December 31, 2021 was \$149,252.

F. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Resolution by the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of \$0.

Note 2- Budget Compliance

The district adopts an annual appropriated budget for the General 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 follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 General Fund	3,043,434	2,127,761	915,673
006 EMS Apparatus Fund	250,000		250,000

Budgeted amounts are authorized to be transferred between department's within any fund 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.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2021

The district had projects that were budgeted for but not utilized from the general fund. Ambulance purchase was delayed until 2022. Work out facilities upgrades were not completed due to station design project. Budgeted funds for station design will mostly be spent in 2022.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The district experienced COVID-19 monetary expenses of 3,439.09. Reimbursement funding was received from FEMA-WA State Military Department (7,631.41), Clark County Public Health for COVID Vaccination PODS (605.45) and Cowlitz County Health & Human Services for COVID Vaccination PODS (3,602.52).

The length of time these measures will continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

Note 4 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	District's own deposits & investments	Deposits & investments held by the (City,Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
State Investment Pool	3,628,994		3,628,994
General Expense Fund with County	1,144,182		1,144,182
Advance Travel Fund	4,000		4,000
Petty Cash	500		500
<i>Totals</i>	4,777,676	0	4,777,676

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is deposited to the 001 General Fund.

The district is a voluntary participant in the county investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at fair value, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2021

Note 5 – OPEB Plans

The district adopted a defined benefit plan in Policy #1-25 Retention Benefit. The defined benefit OPEB plan provides a death benefit for eligible retirees depending on years of service. For the year ended December 31, 2021, the plan had 12 qualified members. The total OPEB liability was \$45,000 on December 31, 2021.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans, Law Enforcement Officer and Firefighters Retirement System (LEOFF 2) and Public Employees Retirement Systems (PERS 2).

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, 2021 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2021

Plan Type	Employer Contributions	Allocation Percentage	Net Pension Liabilities	Net Pension Assets
PERS 1			-	
PERS 1 UAAL	5425.16	0.00072800%	8,891	
PERS 2/3	8872.68	0.00093700%		(93,340)
PSERS 2/3				-
LEOFF 1				-
LEOFF 2	40360.25	0.02024700%		(1,176,030)
VFFRPF	270	0.140000%		(30,544)
			\$ 8,891	\$ (1,299,914)

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 7 - 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 district. 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 2021 was \$1.19 per \$1,000 on an assessed valuation of \$1,545,029,583 for a total regular levy of \$1,842,957.

Note 8 – Risk Management

The district is a reimbursable employer with the State Employment Security Department. As such, we are 100% responsible for any unemployment claims. For the year 2021, the district paid out \$2,366.43 for unemployment claims which was far below what was budgeted.

The district purchases private insurance to insure property and liability risks.

The district provides health and welfare insurance to its employees through the purchase of a health insurance company or HMO.

The district insures worker compensation benefits by paying premiums to the Washington State Department of Labor and Industries.

Cowlitz County Fire District 5
Notes to the Financial Statements
For the year ended December 31, 2021

Note 9 – Other Disclosures

The district matches Local 4447 employees' contributions to the State of Washington Deferred Compensation Plan up to a maximum of 3% of the monthly base salary of the top step (step 5) firefighter per Labor Agreement dated 12/21/2021.

Cowlitz County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		149,252	-	33,407	115,845
264.30	Pension Liabilities		8,891	10,377	-	19,268
263.99	Miscellaneous Liability-Life Insurance		45,000	5,000	-	50,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			203,143	15,377	33,407	185,113
Total Liabilities:			203,143	15,377	33,407	185,113

Cowlitz County Fire Protection District No. 5
Schedule of Liabilities
For the Year Ended December 31, 2021

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	1/1/1900	175,324	-	26,072	149,252
264.30	Pension Liabilities	1/1/1900	37,323	-	28,432	8,891
263.99	Miscellaneous Liability-Life Insurance	1/1/1900	42,500	2,500	-	45,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			255,147	2,500	54,504	203,143
Total Liabilities:			255,147	2,500	54,504	203,143

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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