



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Spokane County Fire Protection District No. 9

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

Published September 12, 2024

Report No. 1035459



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

September 12, 2024

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

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditor's Report on the Financial Statements	7
Financial Section	11
About the State Auditor's Office	29

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*

Spokane County Fire Protection District No. 9 January 1, 2021 through December 31, 2022

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Spokane County Fire Protection District No. 9, 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 August 22, 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

August 22, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane County Fire Protection District No. 9 January 1, 2021 through December 31, 2022

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Spokane County Fire Protection District No. 9, 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 Spokane County Fire Protection District No. 9, 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 Spokane County Fire Protection District No. 9, 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.

Matters of Emphasis

As discussed in Note 9 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 9. Our opinion is not modified with respect to this matter.

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 August 22, 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, reading "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

August 22, 2024

FINANCIAL SECTION

Spokane County Fire Protection District No. 9 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 the Financial Statements – 2022

Notes to the Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

Schedule of Liabilities – 2021

Spokane County Fire Protection District No. 9
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

Beginning Cash and Investments

308	Beginning Cash and Investments	12,144,523
388 / 588	Net Adjustments	-

Revenues

310	Taxes	16,049,025
320	Licenses and Permits	-
330	Intergovernmental Revenues	431,376
340	Charges for Goods and Services	1,594,135
350	Fines and Penalties	-
360	Miscellaneous Revenues	140,007
Total Revenues:		18,214,543

Expenditures

510	General Government	-
520	Public Safety	18,024,368
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		18,024,368
Excess (Deficiency) Revenues over Expenditures:		190,175

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	127,129
Total Other Increases in Fund Resources:		127,129

Other Decreases in Fund Resources

594-595	Capital Expenditures	44,412
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		44,412

Increase (Decrease) in Cash and Investments: 272,892

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	12,417,415
Total Ending Cash and Investments		12,417,415

The accompanying notes are an integral part of this statement.

Spokane County Fire Protection District No. 9
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

Beginning Cash and Investments

308	Beginning Cash and Investments	11,293,190
388 / 588	Net Adjustments	-

Revenues

310	Taxes	15,126,830
320	Licenses and Permits	-
330	Intergovernmental Revenues	902,748
340	Charges for Goods and Services	3,456,314
350	Fines and Penalties	-
360	Miscellaneous Revenues	112,492
Total Revenues:		19,598,384

Expenditures

510	General Government	-
520	Public Safety	18,073,587
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		18,073,587
Excess (Deficiency) Revenues over Expenditures:		1,524,797

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	195,493
Total Other Increases in Fund Resources:		195,493

Other Decreases in Fund Resources

594-595	Capital Expenditures	868,957
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		868,957

Increase (Decrease) in Cash and Investments: 851,333

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	12,144,523
Total Ending Cash and Investments		12,144,523

The accompanying notes are an integral part of this statement.

SPOKANE COUNTY FIRE PROTECTION DISTRICT 9

2022 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District 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 presented using the classifications that are different from the ending net position classification in GAAP.

A. Fund Accounting

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

Governmental Fund Types

General Fund

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

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. The District does not recognize expenditures paid after the close of the calendar year for claims incurred during the previous period.

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 \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the District are recorded as capital expenditures when purchased.

E. Compensated Absences

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

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

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

NOTE 2 – BUDGET COMPLIANCE

The District adopts an annual appropriated budget for the Expense fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 18,114,300.00	\$18,068,780.07	\$45,519.93

NOTE 3 – PROPERTY TAXES

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

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

The District's regular levy for the year 2022 was \$.83426 per \$1,000 on an assessed valuation of \$6,691,976,791 for a regular tax levy of \$5,582,833.

The District adopted a special levy for maintenance and operations purposes. The special levy for the year 2022 was \$1.58296 per \$1,000 on an assessed valuation of \$6,632,279,044 for a special tax levy of \$10,498,620.

NOTE 4 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Deposits and investments by type at December 31, 2022 are as follows:

Type of deposit or investment	District's own deposits and investments	Total
Bank deposits	\$ 5,100.00	\$ 5,100.00
Certificates of deposit	.00	.00
Spokane County Investment Pool	\$12,412,314.59	\$12,412,314.59
U.S. Government securities	.00	.00
(Other)	.00	.00
Total	\$12,417,414.59	\$12,417,414.59

It is the District's policy to invest all temporary cash surpluses. The interest on investments is recorded within the general fund of the district.

Investments in Spokane County Investment Pool

The District is a voluntary participant in the Spokane 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.

NOTE 5 – PENSION PLANS

State Sponsored Pension Plans

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

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

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

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS comprehensive annual financial report 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, 2022 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities (assets), was as follows:

Plans with Net Pension Liabilities	Employer Contributions	Allocation Percentage*	DRS-Schedule of Collective Pension Amounts - 2022	Ending Balance 12/31/2022
PERS 1			2,784,367,000	-
PERS 1 UAAL (combine with PERS 1 for reporting)	27,230.52	0.004443	2,784,367,000	\$ 123,709.43
			Net Pension Liability	\$ 123,709.43
Plans with Net Pension Assets	Employer Contributions	Allocation Percentage*	DRS-Schedule of Collective Pension Amounts - 2022	Ending Balance 12/31/2022
PERS 2/3	46,681.41	0.005811	-3,708,781,000	\$ (215,517.26)
LEOFF 1	0	0.010502	-2,868,613,000	\$ (301,261.74)
LEOFF 2	503,589.50	0.243245	-2,717,698,000	\$ (6,610,664.50)
VFFRPF	810.00	0.43	(28,264,000)	\$ (120,405.18)
			Net Pension Assets	\$ (7,247,848.68)

Only the net pension liabilities are reported on Schedule 09.

LEOFF Plan 1

The District 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 6– OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Required under RCW 41.26, the District administers a LEOFF Retiree Medical Plan which is a closed, single employer, defined-benefit OPEB plan. The plan pays for 100% of eligible retirees' healthcare costs (medical and long-term care insurance) on a pay-as-you-go basis. As of December 31, 2022, the plan had six members, all retirees. As of December 31, 2022, the District's total OPEB liability was \$2,809,072., as calculated using the alternative measurement method.

For the year ended December 31, 2022 the District paid \$ **67,325.52** in OPEB benefits.

NOTE 7 - RISK MANAGEMENT

Property, Liability And Fidelity

The District maintains insurance against most normal hazards. The District is insured through the Volunteer Firemen's Insurance Services, Inc. (VFIS) a division of Glatfelter Insurance Group specifically designed to meet the needs of emergency service organizations. Coverages include commercial property, general liability, automobile and management liability. The deductibles are as follows: Property - \$1000, Auto Comp and Collision - \$250 and Management Liability - \$0.

Unemployment Compensation

The District has entered into a "reimbursable" agreement with the WA State Department of Employment Security (ESD) for unemployment compensation. This is considered a form of self-insurance. The district utilizes the ESD for all claims activity. (See Schedule 21 for claims activity incurred during fiscal year 2022). The District feels it has sufficient funds to accommodate any unemployment claim that may be forthcoming.

SPOKANE COUNTY FIRE PROTECTION DISTRICT 9

2021 NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District 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 that are different from the ending net position classification in GAAP.

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES

Expense (Current Expense) Fund

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

fund.

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. The District does not recognize expenditures paid after the close of the calendar year for claims incurred during the previous period.

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 \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the District are recorded as capital expenditures when purchased.

e. Compensated Absences

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

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

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

NOTE 2 – BUDGET COMPLIANCE

a. Budgets

The District adopts an annual appropriated budget for the Expense fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual Appropriations for this fund lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted budget was as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Expense Fund	\$ 18,942,750.00	\$ 18,942,543.44	\$ 206.56

NOTE 3 – PROPERTY TAXES

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

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

The District's regular levy for the year 2021 was \$.916 per \$1,000 on an assessed valuation of \$5,925,332,860 for a regular tax levy of \$5,425,194. Additionally, the District's special levy (\$1.610 per \$1000) for M&O purposes was \$9,448,537.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

Type of deposit or investment	District's own deposits and investments	Total
Bank deposits (Umpqua Bank)	\$ 5,000.00	\$ 5,000.00
Cash on Hand	100.00	100.00
Spokane County Investment Pool	12,139,423.30	12,139,423.30
U.S. Government securities	.00	.00
(Other)	.00	.00
Total	\$12,144,523.30	\$12,144,523.30

Reconciliation of Financial Statement to Note 4: The \$12,144,523., shown on the Financial Statement includes the petty cash account held at Umpqua Bank on 12/31/21 in the amount of \$5,000, plus cash on hand held at the district office in the amount of \$100.

It is the District's policy to invest its General Fund cash surpluses.

The District is a voluntary participant in the Spokane 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.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the District or its agent in the government's name.

Interest Rate Risk. As of December 31, 2021, the Pool's average duration was 1.49

years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average maturity, no longer than two and one-half years. The weighted-average maturity of SCIP on 12/31/21 was 1.52 years. While the Pool's market value is calculated monthly, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2021, the District's investment in the Pool was not rated by a nationally-recognized statistical rating organization (NRSRO). In compliance with state statutes, the SCIP Investment Policy authorizes investments in U.S. Treasury securities, U.S. agency securities, supranational institution obligations, municipal securities, certificates of deposits or bank deposits of qualified public depositaries, repurchase agreements, corporate notes, commercial paper, Direct District Notes and the Local Government Investment Pool managed by the Washington State Treasurer's office.

(1) The fair value of the District's investments in the SCIP is calculated by taking the Net Asset Value Per Share of the Pool as of 12/31/21 of 99.582 and multiplying it by the amount of cash (\$12,139,423.40) that the District had in the Pool.

NOTE 5 – LIMITATION OF INDEBTEDNESS

The District's maximum indebtedness for both general and capital purposes as of December 31, 2021 based on an assessed 2020 property value of \$5,925,332,860 x .75% was \$44,439,996. This total debt capacity was available for commitment at the end of the year since the District had no G.O. debt.

NOTE 6 – PENSION PLANS

State Sponsored Pension Plans

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

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

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

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

Department of Retirement Systems

Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS comprehensive annual financial report 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 09, was as follows:

	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	\$33,810.06	0.004539%	\$55,432
PERS 2/3	\$55,186.28	0.005826%	(\$580,363)
LEOFF 1	\$0.00	0.010221%	(\$350,127)
LEOFF 2	\$500,019.41	0.250832%	(\$14,569,361)
VFFRPF	\$1,200.00	0.480000%	(\$105,624)

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 7 - RISK MANAGEMENT

The District maintains insurance against most normal hazards. The District is insured through VFIS for Commercial Property, General Liability, Auto and Management Liability. The deductibles are as follows: Property - \$1000, Auto Comp and Collision - \$250 and Management Liability - \$0. In 2021, there were four auto liability claims (paid losses of \$18,570) and one property claim (paid loss of \$11,867).

The District self-insures for unemployment compensation through the State Employment Security Department. Claims paid by the Department are reimbursed by the District. 2021 claims totaled \$0. These claims are rare due to the District's small staff.

All claims are paid from the Expense Fund.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Required under RCW 41.26, the District administers a LEOFF Retiree Medical Plan which is a closed, single employer, defined-benefit OPEB plan. The plan pays for 100% of eligible retirees' healthcare costs (medical and long-term care insurance) on a pay-as-you-go basis. As of December 31, 2021, the plan had six members, all retirees. As of December 31, 2021, the District's total OPEB liability was \$2,999,257, as calculated using the alternative measurement method. For the year ended December 31, 2021 the District paid \$68,998.08 in benefits.

NOTE 9 - COVID-19 -PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel and in-person interactions.

To date, no substantial impacts (financial or operational) have been experienced by the District due to COVID-19. The District has proactively implemented safety measures and operations have continued with staff working as normal on site. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed.

Spokane County Fire Protection District No. 9
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 Absence		705,324	33,856	-	739,180
264.30	Pension Liability		55,432	68,277	-	123,709
264.40	OPEB Liability		2,999,257	-	190,184	2,809,073
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,760,013	102,133	190,184	3,671,962
Total Liabilities:			3,760,013	102,133	190,184	3,671,962

Spokane County Fire Protection District No. 9
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		703,399	1,925	-	705,324
264.30	Pension Liabilities		207,668	-	152,236	55,432
264.40	OBEP Liabilities		2,922,188	77,069	-	2,999,257
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,833,255	78,994	152,236	3,760,013
Total Liabilities:			3,833,255	78,994	152,236	3,760,013

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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