



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Clark County Fire Protection District No. 5

For the period January 1, 2022 through December 31, 2023

*Published December 23, 2024*

Report No. 1036331



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

Issue Date – (Inserted by OS)

Board of Commissioners  
Clark County Fire Protection District No. 5  
Vancouver, Washington

**Report on Financial Statements**

Please find attached our report on Clark 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

***Americans with Disabilities***

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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*

#### **Clark County Fire Protection District No. 5 January 1, 2022 through December 31, 2023**

Board of Commissioners  
Clark County Fire Protection District No. 5  
Vancouver, 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 Clark County Fire Protection District No. 5, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 17, 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

December 17, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Clark County Fire Protection District No. 5 January 1, 2022 through December 31, 2023**

Board of Commissioners  
Clark County Fire Protection District No. 5  
Vancouver, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Clark County Fire Protection District No. 5, as of and for the years ended December 31, 2023 and 2022, 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 Clark County Fire Protection District No. 5, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, 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 Clark County Fire Protection District No. 5, as of December 31, 2023 and 2022, 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 December 17, 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 17, 2024

## **FINANCIAL SECTION**

### **Clark County Fire Protection District No. 5 January 1, 2022 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
Fund Resources and Uses Arising from Cash Transactions – 2022  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022  
Notes to Financial Statements – 2023  
Notes to Financial Statements – 2022

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2023  
Schedule of Liabilities – 2022

**Clark County Fire Protection District No. 5**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	9,918,520
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	20,214,424
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	838,653
350	Fines and Penalties	-
360	Miscellaneous Revenues	691,450
Total Revenues:		21,744,527

**Expenditures**

510	General Government	-
520	Public Safety	11,757,174
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		11,757,174
Excess (Deficiency) Revenues over Expenditures:		9,987,353

**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	1,792
Total Other Increases in Fund Resources:		1,792

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	-
591-593, 599	Debt Service	4,410
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	1,792
Total Other Decreases in Fund Resources:		6,202

**Increase (Decrease) in Cash and Investments: 9,982,943**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	6,222,753
50841	Committed	-
50851	Assigned	-
50891	Unassigned	13,678,710
Total Ending Cash and Investments		19,901,463

*The accompanying notes are an integral part of this statement.*

**Clark 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	8,846,555
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	13,721,151
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	834,183
350	Fines and Penalties	-
360	Miscellaneous Revenues	(86,288)
Total Revenues:		14,469,046

**Expenditures**

510	General Government	-
520	Public Safety	13,392,693
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		13,392,693
Excess (Deficiency) Revenues over Expenditures:		1,076,353

**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	1,814
Total Other Increases in Fund Resources:		1,814

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	-
591-593, 599	Debt Service	4,410
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	1,792
Total Other Decreases in Fund Resources:		6,202

**Increase (Decrease) in Cash and Investments: 1,071,965**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	5,935,974
50841	Committed	-
50851	Assigned	-
50891	Unassigned	3,982,546
Total Ending Cash and Investments		9,918,520

*The accompanying notes are an integral part of this statement.*

**Clark County Fire Protection District No. 5**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<u>Custodial</u>
308	Beginning Cash and Investments	1,792
388 & 588	Net Adjustments	-
310-390	Additions	31,561
510-590	Deductions	31,561
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	1,792

*The accompanying notes are an integral part of this statement.*

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

		<u>Custodial</u>
308	Beginning Cash and Investments	1,814
388 & 588	Net Adjustments	-
310-390	Additions	34,266
510-590	Deductions	<u>34,288</u>
	Net Increase (Decrease) in Cash and Investments:	(22)
508	Ending Cash and Investments	1,792

*The accompanying notes are an integral part of this statement.*

# Clark County Fire Protection District No. 5

## Notes to Financial Statements

January 1, 2023 – December 31, 2023

### **Note 1 - Summary of Significant Accounting Policies**

The Clark County Fire Protection District No. 5 is a special purpose government that provides fire protection and emergency medical services to the general public and is supported primarily through property taxes. The District was incorporated in 1954 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

The District reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending Balances are not presented using the classifications defined in GAAP.

#### **A. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The total column is presented as "memo only" because any interfund activities are not eliminated. The following are the fund types used by the District:

#### **GOVERNMENTAL FUND TYPES:**

##### **General (Current Expense) Fund**

This fund 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.

##### **Custodial Funds**

These funds are used to account assets that the District holds on behalf of others in a custodial capacity.



B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. 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 Clark County Fire Protection District No. 5 are recorded as expenditures when purchased.

E. Compensated Absences

Regular employees accrue vacation leave on a twice-monthly basis. Vacation leave is accumulated in an employee's account on the last day of each pay period worked. The rate at which employees accumulate vacation leave and the maximum number of hours which they may accumulate is indicated in the schedule below.

<u>Years of Service</u>	<u>Hours per Pay Period</u>	<u>Days per Year</u>	<u>Maximum Accrual</u>
1 to 5	5.0	15.0	126 hours
6 to 10	7.0	21.0	180 hours
11 to 15	8.5	25.5	252 hours
16 or more	10.0	30.0	306 hours

Regular part-time employees working a regular or flexible schedule which averages at least thirty (30) hours or more per week will accrue vacation leave on a pro-rated basis to the pro-rated maximum. Employees hired prior to the implementation of this policy whose accrual rates differ from those outlined above will continue to accrue vacation at their previous rates.

The District's estimated liability for vacation pay benefits on December 31, 2023 was \$51,617. Payments are recognized as expenditures when paid.

Sick leave may accumulate up to 960 hours. Upon separation or retirement, employees do not receive payment for unused sick leave.

F. Restricted Portion of Ending Cash and Investments

Beginning and ending Cash and Investments is reported as restricted when it is subject to restrictions on use imposed by external parties. When expenditures that meet restrictions are incurred, the District intends to use restricted resources first before using unassigned amounts.

Restriction of ending Cash and Investments consist of amounts required under the interlocal agreement with the City of Vancouver to be isolated. These funds may only be used for fire protection and emergency medical services as jointly approved by the City and Fire District.

G. Nonrevenues and Nonexpenditures

Nonrevenues and nonexpenditures are leasehold excise taxes collected from tenants and sales taxes collected from customers.

## **Note 2 - Budgets**

The Clark County Fire Protection District No. 5 adopts an annual appropriated budget for the General Fund. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for the fund lapses at the fiscal year end.

The annual appropriated budget was adopted on the cash basis of accounting.

The appropriated and actual expenditures for the legally adopted budget for 2023 is as follows:

Fund	Final Appropriated Amount	Actual Expenditures (Cash Basis)	Variance
General Fund:	21,884,880	11,763,376	10,121,507

There were no budget amendments for the General Fund in 2023.

## **Note 3 - Property Tax**

The County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month within three days of receipt by the Clark County Treasurer.

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 tax is levied.

The District's regular levy for the year 2023 was \$1.25 per \$1,000 on an assessed valuation of \$16,213,509,231 for a total regular levy of \$20,292,887.

## **Note 4 – Deposits and Investments**

Investments are reported at fair value. Deposits and investments by type at December 31, 2023 are as follows:

Type of Deposit or investment	District's own deposits and investments	Deposits and investments held by the District for other local governments	Total
Bank deposits	\$ 7,882	\$ 1,792	\$ 9,674
Local Government Investment Pool	19,893,581	0	19,893,581
	\$ 19,901,463	\$ 1,792	\$ 19,903,255

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

#### Investment in the Clark County investment pool

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

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the 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 agents in the government's name.

### **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 Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans, including PERS 1, PERS 2/3 and LEOFF 1.

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 ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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.

At June 30, 2023 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, and assets, was as follows:

Plan	2023 Contributions	Allocation %	Liability (Asset)
PERS 1	\$19,182	0.002815%	\$ <u>64,259</u>
		Net Pension Liability	<u>64,259</u>
PERS 2/3	31,960	0.003635%	(148,987)
LEOFF 1	0	0.012977%	(385,160)
		Net Pension Asset	\$ <u>(534,148)</u>

#### **Note 6 - Leases**

In March, 2021, the District entered into a lease agreement with Ricoh for the purchase of a copier. Lease terms call for 60 monthly payments of \$367.52, including state and local taxes.

As of December 31, 2023, future lease payments are as follows:

Year Ended December 31,	Payments
2024	\$ 4,410
2025	4,410
2026	<u>736</u>
Total	\$ 9,556

#### **Note 7 – Subscription Based Information Technology Arrangements (SBITA)**

During the year ended December 31, 2023, the District adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in no change to the Schedule of Liabilities at this time. Future contracts and subscriptions will be evaluated for possible disclosure.

#### **Note 8 – Public-Private and Public-Public Partnerships (PPP)**

During the year ended December 31, 2023, the District adopted guidance for the presentation and disclosure of Public-Public and Public-Private Partnerships (PPP), as required by the BARS manual. This requirement resulted in no change to the Schedule of Liabilities at this time. Future contracts and subscriptions will be evaluated for possible disclosure.

#### **Note 9 – Other Disclosures**

##### **A. Consolidation and Joint Operation Agreement with the City of Vancouver**

Effective April 1, 1994, the Fire Commission and the City of Vancouver signed a Consolidation and Joint Operation Agreement for twenty years. The original agreement was modified on December 23, 1997. An Addendum to Fire Department Services Agreement was signed May 24, 2000, to further modify the original agreement.

Under the agreement, the District transferred all assets during 1998 to the City except for a \$400,000 cash reserve. In 2010, this amount was reduced to \$150,000. Each year, the District retains the interest earned on the cash reserve fund and enough collections to pay the budgeted operating expenses of the District. All remaining revenue is transferred to the City's special revenue fund for Consolidated Fire Department Operations, except as stipulated in the Addendum dated May 24, 2000, as explained below.

The Agreement stipulates that:

- 1) All residual cash transferred (\$2,265,082) is restricted in use towards the purchase and construction of real property to replace Fire Station 87; and
- 2) Any surplus in the City's special revenue fund will remain in the fund and will be restricted for use for Fire Department purposes.

The District Board retains its statutory powers and authority over the District, but delegates daily operational decisions to the City.

The Addendum dated May 24, 2000, authorizes the District to develop, own and operate a Public Education Facility as a self-supporting activity. The District shall retain revenue received from the District from the operations of the Public Education Facility.

The Addendum dated May 12, 2003, stipulates that the City will return the \$2,265,082 of residual cash, less expenditures made towards Fire Station 87 and plus accumulated interest. As part of this agreement, the District agrees to contribute \$700,000 plus interest accumulated from the date of the transfer, towards the cost of construction of Fire Station 87.

On September 26, 2016, the Fire Commission and City of Vancouver signed an updated Fire Department Services Agreement that replaced and supersedes the prior arrangements. The basic terms remained the same as before, and the primary purpose of the update was to reduce the onerous administrative requirements that were imposed in the past, primarily on the City of Vancouver.

The District makes an annual transfer to a separate fund that is restricted to uses as mutually agreed by the District and the City of Vancouver Fire Department. The amount to be transferred each year is determined by subtracting the \$150,000 cash reserve plus accumulated interest from the District's Unassigned Cash and Investments at the end of the previous year.

On April 23, 2018, the Fire District and City of Vancouver signed a Letter of Agreement stipulating that the district would fund the following:

1. Up to \$1.44 million for the purchase of land within the Fire District boundaries for the construction of a new fire station, in a location that would best serve the residents of Fire District Five.
2. An additional \$9 million to be used for the construction and future operations of said station. These monies were transmitted to the City of Vancouver during 2018.

The City of Vancouver, using these funds and monies of their own, will construct, staff, and operate this station. Construction was expected to begin by November 2019 but was delayed due in part to the change in property location. The Station 11 project was completed in October, 2022.

Since the opening of Station 11 in October, 2022, the transfer arrangement referred to above has been temporarily amended so that, in the year following the year in which Station 11 becomes operational, the District will transfer ninety percent (90%) of the monies it would have otherwise transferred to the special revenue fund, to the City. If the City's costs to operate Station 11 exceed 90%, the District will transfer up to the remaining 10% of these excess revenue funds to the City. Any funds not transferred to the City (between 0% and 10%) will be transferred to the special revenue fund. The City's cost to operate Station 11 exceeded 90% in 2023, resulting in a \$0 transfer to Fund 6256. Transfers of funding to the City of Vancouver for the regular contracted amount, related to the updated Fire Department Services Agreement, totaled \$10,364,052 in 2023.

B. Risk Management

In the opinion of management, the District's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims. During 2023, the District contracted with the American Alternative Insurance Corporation for liability, property, and crime damage. Coverages provided by the company are as follows:

	<u>12/31/23</u>
Real Property Insurance	\$ 6,384,427
Personal Property Insurance	\$ 740,599
Money and Securities	\$ 30,000
Software	\$ 250,000
Crime Insurance-Public Employee Dishonesty	\$ 100,000
Computer Fraud	\$ 10,000
Fraudulent Impersonation	\$ 10,000
Identity Fraud	\$ 10,000
Cyber Liability and Privacy Crisis Management Expense	\$ 1,120,000
General Liability (Per Occurrence)	\$ 1,000,000
General Liability (Aggregate)	\$ 3,000,000
Commercial (Umbrella) Excess Liability Coverage (Per Occurrence)	\$ 4,000,000
Commercial (Umbrella) Excess Liability Coverage (Aggregate)	\$ 8,000,000
Management Liability Errors and Omissions (Per Occurrence)	\$ 1,000,000
Management Liability Errors and Omissions (Aggregate)	\$ 3,000,000
Automobile Liability (Per Occurrence)	\$ 1,000,000

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceeding insurance coverage for the past several years.

# Clark County Fire Protection District No. 5

## Notes to Financial Statements

January 1, 2022 – December 31, 2022

### **Note 1 - Summary of Significant Accounting Policies**

The Clark County Fire Protection District No. 5 is a special purpose government that provides fire protection and emergency medical services to the general public and is supported primarily through property taxes. The District was incorporated in 1954 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

The District reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending Balances are not presented using the classifications defined in GAAP.

#### **A. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The total column is presented as "memo only" because any interfund activities are not eliminated. The following are the fund types used by the District:

##### **GOVERNMENTAL FUND TYPES:**

##### **General (Current Expense) Fund**

This fund 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.

##### **Custodial Funds**

These funds are used to account assets that the District holds on behalf of others in a custodial capacity.

#### **B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. 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 Clark County Fire Protection District No. 5 are recorded as expenditures when purchased.

E. Compensated Absences

Regular employees accrue vacation leave on a twice-monthly basis. Vacation leave is accumulated in an employee's account on the last day of each pay period worked. The rate at which employees accumulate vacation leave and the maximum number of hours which they may accumulate is indicated in the schedule below.

<u>Years of Service</u>	<u>Hours per Pay Period</u>	<u>Days per Year</u>	<u>Maximum Accrual</u>
1 to 5	5.0	15.0	126 hours
6 to 10	7.0	21.0	180 hours
11 to 15	8.5	25.5	252 hours
16 or more	10.0	30.0	306 hours

Regular part-time employees working a regular or flexible schedule which averages at least thirty (30) hours or more per week will accrue vacation leave on a pro-rated basis to the pro-rated maximum. Employees hired prior to the implementation of this policy whose accrual rates differ from those outlined above will continue to accrue vacation at their previous rates.

The District's estimated liability for vacation pay benefits on December 31, 2022 was \$45,534. Payments are recognized as expenditures when paid.

Sick leave may accumulate up to 960 hours. Upon separation or retirement, employees do not receive payment for unused sick leave.

F. Restricted Portion of Ending Cash and Investments

Beginning and ending Cash and Investments is reported as restricted when it is subject to restrictions on use imposed by external parties. When expenditures that meet restrictions are incurred, the District intends to use restricted resources first before using unassigned amounts.

Restriction of ending Cash and Investments consist of amounts required under the interlocal agreement with the City of Vancouver to be isolated. These funds may only be used for fire protection and emergency medical services as jointly approved by the City and Fire District.

G. Nonrevenues and Nonexpenditures

Nonrevenues and nonexpenditures are leasehold excise taxes collected from tenants and sales taxes collected from customers.



## **Note 2 - Budgets**

The Clark County Fire Protection District No. 5 adopts an annual appropriated budget for the General Fund. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for the fund lapses at the fiscal year end.

The annual appropriated budget was adopted on the cash basis of accounting.

The appropriated and actual expenditures for the legally adopted budget for 2022 is as follows:

Fund	Final Appropriated Amount	Actual Expenditures (Cash Basis)	Variance
General Fund:	14,700,211	13,398,895	1,301,316

There were no budget amendments for the General Fund in 2022.

## **Note 3 - Property Tax**

The County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month within three days of receipt by the Clark County Treasurer.

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 tax is levied.

The District's regular levy for the year 2022 was \$1.01 per \$1,000 on an assessed valuation of \$13,595,210,677 for a total regular levy of \$13,733,584.

## **Note 4 – Deposits and Investments**

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

Type of Deposit or investment	District's own deposits and investments	Deposits and investments held by the District for other local governments	Total
Bank deposits	\$ 6,865	\$ 1,792	\$ 8,657
Local Government Investment Pool	9,911,655	0	9,911,655
	\$ 9,918,520	\$ 1,792	\$ 9,920,312

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

#### Investment in the Clark County investment pool

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

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the 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 agents in the government's name.

#### **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 Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans, including PERS 1, PERS 2/3 and LEOFF 1.

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 ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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.

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 09, and assets, was as follows:

Plan	2022 Contributions	Allocation %	Liability (Asset)
PERS 1	\$16,131	0.002632%	\$ <u>73,285</u>
		Net Pension Liability	<u>73,285</u>
PERS 2/3	27,576	0.003433%	( 127,322)
LEOFF 1	0	0.015570%	( 446,643)
		Net Pension Asset	\$ <u>( 573,965)</u>

### **Note 6 - Leases**

In March, 2021, the District entered into a lease agreement with Ricoh for the purchase of a copier. Lease terms call for 60 monthly payments of \$367.52, including state and local taxes.

As of December 31, 2022, future lease payments are as follows:

Year Ended December 31,	<u>Payments</u>
2023	\$ 4,410
2024	4,410
2025	4,410
2026	<u>736</u>
Total	\$ 13,966

### **Note 7 – Other Disclosures**

#### **A. Consolidation and Joint Operation Agreement with the City of Vancouver**

Effective April 1, 1994, the Fire Commission and the City of Vancouver signed a Consolidation and Joint Operation Agreement for twenty years. The original agreement was modified on December 23, 1997. An Addendum to Fire Department Services Agreement was signed May 24, 2000, to further modify the original agreement.

Under the agreement, the District transferred all assets during 1998 to the City except for a \$400,000 cash reserve. In 2010, this amount was reduced to \$150,000. Each year, the District retains the interest earned on the cash reserve fund and enough collections to pay the budgeted operating expenses of the District. All remaining revenue is transferred to the City's special revenue fund for Consolidated Fire Department Operations, except as stipulated in the Addendum dated May 24, 2000, as explained below.

The Agreement stipulates that:

- 1) All residual cash transferred (\$2,265,082) is restricted in use towards the purchase and construction of real property to replace Fire Station 87; and
- 2) Any surplus in the City's special revenue fund will remain in the fund and will be restricted for use for Fire Department purposes.

The District Board retains its statutory powers and authority over the District, but delegates daily operational decisions to the City.

The Addendum dated May 24, 2000, authorizes the District to develop, own and operate a Public Education Facility as a self-supporting activity. The District shall retain revenue received from the District from the operations of the Public Education Facility.

The Addendum dated May 12, 2003, stipulates that the City will return the \$2,265,082 of residual cash, less expenditures made towards Fire Station 87 and plus accumulated interest. As part of this agreement, the District agrees to contribute \$700,000 plus interest accumulated from the date of the transfer, towards the cost of construction of Fire Station 87.

On September 26, 2016, the Fire Commission and City of Vancouver signed an updated Fire Department Services Agreement that replaced and supersedes the prior arrangements. The basic terms remained the same as before, and the primary purpose of the update was to reduce the onerous administrative requirements that were imposed in the past, primarily on the City of Vancouver.

The District makes an annual transfer to a separate fund that is restricted to uses as mutually agreed by the District and the City of Vancouver Fire Department. The amount to be transferred each year is determined by subtracting the \$150,000 cash reserve plus accumulated interest from the District's Unassigned Cash and Investments at the end of the previous year. In June 2022, \$2,564,066 was transferred to this Restricted Fund. In October, the Board of Fire Commissioners authorized the transfer of \$2,564,066 back to the General Fund to provide 90% of the funding for Station 11 operations in 2023. Transfers of funding to the City of Vancouver for the regular contracted amount, related to the updated Fire Department Services Agreement, totaled \$12,001,990 in 2022.

On April 23, 2018, the Fire District and City of Vancouver signed a Letter of Agreement stipulating that the district would fund the following:

1. Up to \$1.44 million for the purchase of land within the Fire District boundaries for the construction of a new fire station, in a location that would best serve the residents of Fire District Five.
2. An additional \$9 million to be used for the construction and future operations of said station. These monies were transmitted to the City of Vancouver during 2018.

The City of Vancouver, using these funds and monies of their own, will construct, staff, and operate this station. Construction was expected to begin by November 2019 but was delayed due in part to the change in property location. The Station 11 project was completed in October, 2022.

B. Risk Management

In the opinion of management, the District's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims. During 2022, the District contracted with the American Alternative Insurance Corporation for liability, property, and crime damage. Coverages provided by the company are as follows:

	<u>12/31/22</u>
Real Property Insurance	\$ 6,138,872
Personal Property Insurance	\$ 712,114
Money and Securities	\$ 30,000
Software	\$ 250,000
Crime Insurance-Public Employee Dishonesty	\$ 100,000
Computer Fraud	\$ 10,000
Fraudulent Impersonation	\$ 10,000
Identity Fraud	\$ 10,000
Cyber Liability and Privacy Crisis Management Expense	\$ 1,120,000
General Liability (Per Occurrence)	\$ 1,000,000
General Liability (Aggregate)	\$ 3,000,000
Commercial (Umbrella) Excess Liability Coverage (Per Occurrence)	\$ 4,000,000
Commercial (Umbrella) Excess Liability Coverage (Aggregate)	\$ 8,000,000
Management Liability Errors and Omissions (Per Occurrence)	\$ 1,000,000
Management Liability Errors and Omissions (Aggregate)	\$ 3,000,000
Automobile Liability (Per Occurrence)	\$ 1,000,000

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceeding insurance coverage for the past several years.

C. Subsequent Events

In March 2022, the Board of Commissioners of Clark County Fire Protection District No. 5 adopted a resolution providing for the submission of levy lid lift and that the proposition be included on the ballot for the election held on August 2, 2022. The proposition was submitted to qualified voters of the District and ratified at the election. The proposition submitted to the voters was for the restoration of the previous levy rate of \$1.25 per \$1,000 of assessed valuation of taxable property, currently limited to approximately \$1.01 per \$1,000 of assessed valuation, in order to maintain and increase the level of fire protection, prevention, emergency medical services and protection of life and property in the District beginning with property taxes collected in 2023. Additionally, to maintain reserve funds sufficient to assure the continuation of such services beyond 2023, the limit factor for the five succeeding years shall be six (6) percent or less. The percentage will be used to determine the actual levy rate, subject to the maximum statutory rate of \$1.50 per \$1,000 of assessed valuation, in 2023-2027 for collection in 2024-2028. The maximum allowable levy in 2027 shall serve as the base for subsequent levy limitations.

**Clark County Fire Protection District No. 5**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2023**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		45,534	6,083	-	51,617
264.30	Net Pension Liability		73,285	-	9,026	64,259
263.52	Copier Lease		13,966	-	4,410	9,556
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>132,785</b>	<b>6,083</b>	<b>13,436</b>	<b>125,432</b>
<b>Total Liabilities:</b>			<b>132,785</b>	<b>6,083</b>	<b>13,436</b>	<b>125,432</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		46,544	-	1,010	45,534
264.30	Net Pension Liability		38,029	35,256	-	73,285
263.52	Copier Lease		18,376	-	4,410	13,966
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>102,949</b>	<b>35,256</b>	<b>5,420</b>	<b>132,785</b>
<b>Total Liabilities:</b>			<b>102,949</b>	<b>35,256</b>	<b>5,420</b>	<b>132,785</b>

## 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.

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