Office of the Washington State Auditor

Pat McCarthy

Financial Statements Audit Report

Clark County Fire and Rescue

For the period January 1, 2015 through December 31, 2016

Published December 21, 2017

Report No. 1020465

Office of the Washington State Auditor
Pat McCarthy

December 21, 2017

Board of Commissioners
Clark County Fire and Rescue
Ridgefield, Washington

Report on Financial Statements

Please find attached our report on Clark County Fire and Rescue's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

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 Government Auditing Standards 4

Independent Auditor's Report On Financial Statements 7

Financial Section 11

About The State Auditor's Office 31

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Clark County Fire and Rescue
January 1, 2015 through December 31, 2016

Board of Commissioners
Clark County Fire and Rescue
Ridgefield, 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 and Rescue, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 15, 2017. As discussed in Note 7 to the financial statements, during the year ended December 31, 2016, the District merged operations with Clark County Fire District No. 2.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

December 15, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clark County Fire and Rescue
January 1, 2015 through December 31, 2016

Board of Commissioners
Clark County Fire and Rescue
Ridgefield, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Clark County Fire and Rescue, Washington, for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, Clark County Fire and Rescue has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Clark County Fire and Rescue, for the years ended December 31, 2016 and 2015, on the basis of accounting described in Note 1.

Matters of Emphasis

As discussed in Note 7 to the financial statements, during the year ended December 31, 2016, the District merged operations with Clark County Fire District No. 2. Our opinion is not modified with respect to this matter.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Clark County Fire and Rescue, as of December 31, 2016 and 2015, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

December 15, 2017

FINANCIAL SECTION

Clark County Fire and Rescue
January 1, 2015 through December 31, 2016

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2016 and 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

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

		Total for All Funds (Memo Only)	028 General Fund	126 EMS Fund	154 FFFB
Beginning Cash and Investments					
30810	Reserved	16,233	-	4	3,314
30880	Unreserved	1,739,976	1,739,976	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	6,059,321	5,768,677	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	385,620	385,069	-	-
340	Charges for Goods and Services	1,785,652	1,602,039	-	183,612
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	37,272	36,272	-	247
Total Revenues:		8,267,864	7,792,057	-	183,860
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	7,701,000	7,497,240	-	203,761
Total Expenditures:		7,701,000	7,497,240	-	203,761
Excess (Deficiency) Revenues over Expenditures:		566,864	294,817	-	(19,902)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	381,576	304	-	88,960
385	Special or Extraordinary Items	326,956	326,956	-	-
386 / 389	Custodial Activities	35	35	-	-
381, 395, 398	Other Resources	50,996	46,486	-	4,510
Total Other Increases in Fund Resources:		759,564	373,781	-	93,470
Other Decreases in Fund Resources					
594-595	Capital Expenditures	120,884	80,244	-	40,640
591-593, 599	Debt Service	581,302	690	-	-
597	Transfers-Out	381,576	381,273	4	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	644	644	-	-
Total Other Decreases in Fund Resources:		1,084,406	462,850	4	40,640
Increase (Decrease) in Cash and Investments:		**242,021**	**205,748**	**(4)**	**32,929**
Ending Cash and Investments					
5081000	Reserved	52,506	-	-	36,244
5088000	Unreserved	1,945,724	1,945,724	-	-
Total Ending Cash and Investments		**1,998,230**	**1,945,724**	**-**	**36,244**

The accompanying notes are an integral part of this statement.

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

		220 Bond Fund - 11	222 Bond Fund - 12
Beginning Cash and Investments			
30810	Reserved	-	12,915
30880	Unreserved	-	-
388 / 588	Prior Period Adjustments, Net	-	-
Revenues			
310	Taxes	-	290,645
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	551
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	752
Total Revenues:		-	291,948
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
Total Expenditures:		-	-
Excess (Deficiency) Revenues over Expenditures:		-	291,948
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	292,313	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		292,313	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	292,313	288,300
597	Transfers-Out	-	300
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
Total Other Decreases in Fund Resources:		292,313	288,600
Increase (Decrease) in Cash and Investments:		**(0)**	**3,348**
Ending Cash and Investments			
5081000	Reserved	-	16,263
5088000	Unreserved	-	-
Total Ending Cash and Investments		**-**	**16,263**

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

		Total for All Funds (Memo Only)	028 General Fund	126 EMS Fund	154 FFFB
Beginning Cash and Investments					
30810	Reserved	24,342	10,897	-	2,333
30880	Unreserved	1,785,988	1,785,988	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	5,626,022	5,344,822	4	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	493,349	492,989	-	-
340	Charges for Goods and Services	4,322,319	4,199,316	-	123,002
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	51,770	51,159	-	90
Total Operating Revenues:		10,493,460	10,088,286	4	123,092
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	9,746,771	9,593,580	-	153,192
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		9,746,771	9,593,580	-	153,192
Net Operating Increase (Decrease):		746,689	494,706	4	(30,100)
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	118,036	117,058	-	978
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	429,375	425	-	59,531
Total Nonoperating Revenues:		547,411	117,483	-	60,509
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	650,173	904	-	-
594-595	Capital Expenditures	268,671	239,244	-	29,427
597	Transfers-Out	429,375	428,950	-	-
Total Nonoperating Expenditures:		1,348,220	669,098	-	29,427
Net Increase (Decrease) in Cash and Investments:		**(54,119)**	**(56,909)**	**4**	**982**
Ending Cash and Investments					
5081000	Reserved	16,233	-	4	3,314
5088000	Unreserved	1,739,976	1,739,976	-	-
Total Ending Cash and Investments		**1,756,209**	**1,739,976**	**4**	**3,314**

The accompanying notes are an integral part of this statement.

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

		220 Bond Fund - 11	222 Bond Fund - 12
Beginning Cash and Investments			
30810	Reserved	-	11,112
30880	Unreserved	-	-
388 & 588	Prior Period Adjustments, Net	-	-
Operating Revenues			
310	Taxes	-	281,196
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	360
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	521
Total Operating Revenues:		-	282,078
Operating Expenditures			
510	General Government	-	-
520	Public Safety	-	-
598	Miscellaneous Expenses	-	-
Total Operating Expenditures:		-	-
Net Operating Increase (Decrease):		-	282,078
Nonoperating Revenues			
370-380, 395 & 398	Other Financing Sources	-	-
391-393	Debt Proceeds	-	-
397	Transfers-In	369,419	-
Total Nonoperating Revenues:		369,419	-
Nonoperating Expenditures			
580, 596 & 599	Other Financing Uses	-	-
591-593	Debt Service	369,419	279,850
594-595	Capital Expenditures	-	-
597	Transfers-Out	-	425
Total Nonoperating Expenditures:		369,419	280,275
Net Increase (Decrease) in Cash and Investments:		**(0)**	**1,803**
Ending Cash and Investments			
5081000	Reserved	-	12,915
5088000	Unreserved	-	-
Total Ending Cash and Investments		**-**	**12,915**

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clark County Fire & Rescue was incorporated in 1961 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. The district is a special purpose local government providing fire protection and emergency medical response services 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 in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

FUND ACCOUNTING

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The 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:

General Fund - 028

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

Special Revenue Funds – EMS Fund 126 & FFFB Fund 154

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. All outstanding excess levy taxes for EMS Fund 126 have been collected. The remaining available balance was transferred to the general fund in 2016.

Debt Service Funds – 220 & 222

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

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

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

In accordance with state law, Clark County Fire & Rescue also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

BUDGETS

The district adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general fund, where the budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	2015 Final Appropriated Amounts	2015 Actual Expenditures	2015 Variance
General Fund 028			
Emergency Services	$ 9,889,791	$ 9,593,580	$ 296,211
Debt Service	$ 900	$ 904	$ (4)
Capital Expense	$ 239,300	$ 239,244	$ 56
Agency Funds	$ 0	$ 0	$ 0
Interfund Transfers	$ 433,750	$ 428,950	$ 4,800
Total General Fund	$ 10,587,741	$ 10,262,678	$ 301,163
EMS Fund 126	$ 0	$ 0	$ 0
FFFB Fund 154	$ 184,250	$ 182,619	$ 1,631
Debt Service Fund 220	$ 369,450	$ 369,419	$ 31
Debt Service Fund 222	$ 280,450	$ 280,275	$ 175

Fund/Department	2016 Final Appropriated Amounts	2016 Actual Expenditures	2016 Variance
General Fund 028			
Emergency Services	$ 7,633,350	$ 7,497,240	$ 136,110
Debt Service	$ 850	$ 690	$ 160
Capital Expense	$ 54,400	$ 80,244	$ (25,844)
Agency Funds	$ 0	$ 644	$ (644)
Interfund Transfers	$ 381,300	$ 381,273	$ 27
Total General Fund	$ 8,069,900	$ 7,960,091	$ 109,809
FFFB Fund 154	$ 271,350	$ 244,401	$ 26,949
Debt Service Fund 220	$ 292,350	$ 292,313	$ 37
Debt Service Fund 222	$ 288,700	$ 288,600	$ 100

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's Board of Fire Commissioners.

CASH AND INVESTMENTS

See NOTE 3, *Deposits and Investments*.

CAPITAL ASSETS

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

COMPENSATED ABSENCES

Vacation leave may be carried over annually with no limit of accumulation for bargaining unit personnel, full time administrators, and full and permanent part-time support personnel. Upon termination accrued but unused vacation time remaining will be paid at the employee's current rate of pay, not to exceed one year's worth of accrual at the employee's current accrual rate. Upon notification of permanent separation the employee may be required to utilize part of all of their eligible accrued leave prior to the date of termination. Remaining accrued vacation leave shall be forfeited. Sick leave may be accumulated up to the number of monthly hours accrued multiplied by 100 for permanent part-time support personnel, 800 hours for bargaining unit non-shift (40 hour/week) and administrative support personnel, and 1200 hours for all full-time administrators and bargaining unit shift personnel. For bargaining unit personnel, after five years of continuous service and upon entering into the Washington State Retirement System OR being awarded permanent medical disability, twenty five percent (25%) of the employee's accumulated sick leave shall be dispersed based upon the current base rate of pay. The balance of accrued sick leave shall be forfeited. For full time administrators, upon termination of employment following five years of continuous service, twenty five percent (25%) of the employee's accumulated sick leave shall be dispersed based upon the current base rate of pay. The balance of accrued sick leave shall be forfeited. The balance of accrued sick leave for full and part-time support personnel shall be forfeited upon termination of employment.

Other part-time or temporary employees do not accrue leave benefits. Payments are recognized as expenditures when paid.

The district's estimated liability for vacation and sick leave termination benefits as of December 31 is reported on Schedule 9.

LONG-TERM DEBT

See NOTE 4, *Debt Service Requirements*.

RISK MANAGEMENT

See NOTE 7, *Other Disclosures, Clark County Fire Rescue Risk Management Group*.

RESERVED PORTION OF ENDING CASH AND INVESTMENTS

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

FFFB Fund 154 is maintained per interagency agreements in place with Clark County and Clark County Fire District 6 for the operation and maintenance of the Fairgrounds Public Safety Complex. See Note 7, *Other Disclosures*. The fund balance as of December 31, 2015 was $3,314 and as of December 31, 2016 was $36,244.

Funds held in Bond Fund 222 are strictly reserved for the purpose of voted debt redemption. The fund balance as of December 31, 2015 was $12,915 and as of December 31, 2016 was $16,263.

OTHER FINANCING SOURCES OR USES

The district's *Other Financing Sources or Uses* consist of intra and interfund transfers.

Transfers by fund for 2015 are as follows:

Financing Sources	Financing Uses	Amount
Bond Fund 220	General Fund 028	$ 369,419
General Fund 028	Bond Fund 222	$ 425
Special Fund 154	General Fund 028	$ 59,531

Transfers by fund for 2016 are as follows:

Financing Sources	Financing Uses	Amount
Bond Fund 220	General Fund 028	$ 292,313
General Fund 028	Bond Fund 222	$ 300
Special Fund 154	General Fund 028	$ 88,960
General Fund 028	EMS Fund 126	$ 4

NOTE 2 – PROPERTY TAXES

The Clark County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Daily receipts are distributed to the appropriate funds three business days following receipt of payment.

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 the tax is levied.

A six year history of the district's regular levy:

Year	Rate/$1K	Valuation	Levy
2012	$ 1.5000000	$ 2,995,346,518	$ 4,493,020
2013	$ 1.5000000	$ 2,926,734,604	$ 4,390,102
2014	$ 1.5000000	$ 3,186,714,009	$ 4,780,071
2015	$ 1.5000000	$ 3,517,575,607	$ 5,276,363
2016	$ 1.5000000	$ 3,803,288,392	$ 5,704,933
2017	$ 1.4114436	$ 4,351,106,846	$ 6,141,342
2017[1]	$ 0.6379780	$ 255,186,256	$ 162,274

The district's capital bond levy[2] history:

Year	Rate/$1K	Valuation	Levy
2012	$ 0.1689974	$ 1,502,981,567	$ 254,000
2013	$ 0.1767296	$ 1,493,241,396	$ 263,900
2014	$ 0.1663011	$ 1,621,057,274	$ 269,584
2015	$ 0.1545539	$ 1,808,754,438	$ 279,550
2016	$ 0.1461406	$ 1,971,047,499	$ 288,050
2017	$ 0.1302319	$ 2,277,586,499	$ 296,614

Delinquent property tax receivable by Fund as of December 31, 2015:

General Fund 028	$ 215,784
Bond Fund 222	$ 11,007

Delinquent property tax receivable by Fund as of December 31, 2016:

General Fund 028	
CCF&R	$ 153,337
Clark 2	$ 8,763
Bond Fund 222	$ 7,303

[1] *Millage rate for Clark County Fire District 2, which merged into Clark County Fire & Rescue following the successful passage of a proposition presented to the voters on August 2, 2016. The election was validated on August 16, 2016. Per Washington DOR guidelines, levy rates are calculated separately in the first year following a merger validated after the August 1 deadline for establishment of jurisdiction boundaries.*

[2] *Clark County Fire District Districts 12 and 14 merged in March 2001 and Districts 11 and 12 (now Clark County Fire & Rescue) merged in November 2008. Clark County Fire District 2 merged into the District in August 2016. The capital bond levy was originated by Clark County Fire District 12. Properties located in Fire Districts 2, 11, and 14 at the time the levy was passed (1999) do not pay this assessment. Assessed valuation for the bond levy calculation will be significantly less than the regular assessment until this bond is fully redeemed in 2019.*

NOTE 3 – DEPOSITS & INVESTMENTS

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

All deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Clark County Treasurer's Office, which operates as the district's fiscal agent.

Aggregate County Pool distribution of investments (by type) as of December 31:

Type	2015 Book Value*	%
Federal Agencies Semi-Annual Coupon	$ 302.6	51.2
Treasury Coupons	$ 250.4	42.4
WA State LGIP	$ 38.1	6.4
Total	$ 591.1	100.0

Type	2016 Book Value*	%
Federal Agencies Semi-Annual Coupon	$ 334.4	53.8
Treasury Coupons	$ 200.2	32.2
WA State LGIP	$ 76.8	12.4
Commercial Paper	$ 10.0	1.6
Total	$ 621.4	100.0

* Shown in ($) millions

The District's investments in the County's pool are not subject to categorization as specific instruments are not distinguished between those participating in the pool.

The district's interest in the pool as of December 31, 2015, presented at fair value:

General Fund 028	$ 2,124,192
Bond Fund 222	$ 12,871
FFFB Fund 154	$ 6,273

The District's interest in the pool as of December 31, 2016, presented at fair value:

General Fund 028	$ 2,176,716
Bond Fund 222	$ 15,368
FFFB Fund 154	$ 39,293

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedules of Liabilities (09) provide more detail of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for the years ending December 31, 2015 and 2016.

The debt service requirements for general obligation bonds and capital lease agreements, including both principal and interest as of December 31, 2016, are as follows:

	Principal	Interest	Total
2017	$ 499,710	$ 99,400	$ 599,110
2018	$ 529,710	$ 80,575	$ 610,285
2019	$ 559,710	$ 60,450	$ 620,160
2020	$ 259,710	$ 38,531	$ 298,241
2021	$ 266,570	$ 30,123	$ 296,693
2022-26	$ 600,000	$ 45,694	$ 645,694
2027-31	$ -	$ -	$ -
TOTALS	$2,715,410	$ 354,773	$3,070,183

NOTE 5 – INTERFUND LOANS

The District has no inter-fund loans.

NOTE 6 – PENSION PLANS

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

Public Employees' Retirement System (PERS)
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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

The DRS CAFR may also 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.

As of June 30, 2015 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities[3], as reported on Schedule 9, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.004547%	$ 237,850
PERS 2/3	0.005878%	$ 210,024
LEOFF 1	0.000415%	$ (5,002)
LEOFF 2	0.185489%	$ (1,906,456)
VFFRPF	0.040000%	$ (7,192)

As of June 30, 2016 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on Schedule 9, was as follows:

	Allocation	Liability (Asset)
PERS 1 UAAL	0.003107%	$ 166,861
PERS 2/3	0.003986%	$ 200,692
LEOFF 1	0.000419%	$ (4,317)
LEOFF 2	0.174226%	$ (1,013,351)
VFFRPF	0.130000%	$ (22,734)

LEOFF Plan 1

The district has one LEOFF Plan 1 retiree (1983). 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 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 – OTHER DISCLOSURES

COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

[3] For DRS Sponsored plans, the allocation percentage and collective liability for each plan is available at www.drs.wa.gov. For VFFRPF, the information is available at www.bvff.wa.gov.

OPEB

The District has a commitment to pay for post-employment benefits for one LEOFF 1 retiree (1983). These benefits include medical insurance, Medicare insurance premiums, and authorized out of pocket medical expenses. OPEB expenditures totaled $12,740 in both 2015 and 2016.

LITIGATION

As of the date of the annual report filing, Clark County Fire & Rescue is the subject of a tort claim by a former employee whose position was eliminated in 2015. Other than legal expenses paid to date, any further definitive financial impact to the district cannot be specified at this time. Due to the confidential nature of the situation, detailed information is not available for publication.

CLARK COUNTY FIRE DISTRICT 2 – MERGER

In a letter dated March 17, 2016, the Commissioners of Clark County Fire Protection District 2 submitted a petition for merger into Clark County Fire and Rescue. The petition was accepted per CCF&R Resolution No. 160323-2 at the March 23 meeting of the Board. The proposition for merger was successfully passed by the voters of Clark 2 on the August 2, 2016 primary ballot. The merger was declared complete by both Boards of Fire Commissioners effective August 18, 2016 by Joint Resolution No. 160818-1. All assets of Clark Fire District 2 were transferred to Clark County Fire & Rescue of which $326,956 was reported on Statement C-4 of the 2016 financial report as an Extraordinary Item under Other Increases in Fund Resources.

BOARD OF FIRE COMMISSIONERS

The 2015 Board of Fire Commissioners was comprised of the following individuals:

Pos	Name	Term Ending
1	David Town	December 31, 2019
2	James R Johnson	December 31, 2021
3	Gerald Kolke	December 31, 2017
4	S Jon Babcock	December 31, 2017
5	Larry Bartel	December 31, 2019

Following the merger of Clark County Fire District 2, the number of Board members temporarily increased from five to eight members. Through the attrition process outlined in RCW 52.06.085, the Board will eventually revert to its authorized complement of five members. The Board of Fire Commissioners as of December 31, 2016 was comprised of the following individuals:

Name	Term Ending
S Jon Babcock	December 31, 2017
Stanley Chunn	December 31, 2017
David Town	December 31, 2019
James R Johnson	December 31, 2021

Name	Term Ending
Gerald Kolke	December 31, 2017
Larry Bartel	December 31, 2019
David Lester	December 31, 2019
Kenneth Ayers	December 31, 2021

Commissioners are elected to serve six year terms.

INTERGOVERNMENTAL SERVICE CONTRACTS

Effective March 1, 2013, the district entered into a contract to provide emergency protection services for the City of Woodland, which includes the protection of and a provision for administrative support services to Clark County Fire District 2. The contract amount was calculated on the city's taxable assessed value at the District's current levy rate plus a flat amount provided by Clark 2.

In a letter dated December 29, 2014, the City of Battle Ground advised the District they intended to withdraw from the service agreement on January 1, 2016. The City advised they would be issuing a Request for Proposal (RFP) for emergency protection services. The District submitted a competitive service proposal, but the City awarded the contract to a neighboring fire district. The impact to the 2016 budget was estimated at $2.4M. As a result there was a significant reduction in department staffing effective January 1, 2016. This restructuring included the elimination of five (5) administrative and nine (9) firefighter positions. The former fire chief retired on August 31, 2015. The district operated under the management of an interim Chief Administrative Officer appointed by the Board of Fire Commissioners from September 1, 2015 through April 30, 2016. Chief John Nohr assumed management of the District on May 1, 2016.

Historical service contract revenues were as follows:

Year	City of Battle Ground	City of Woodland
2012	$ 1,571,288	[redacted]
2013	$ 1,739,057	$ 914,507
2014	$ 1,999,175	$ 1,035,300
2015	$ 2,252,067	$ 1,064,637
2016	[redacted]	$ 1,057,688

FAIRGROUNDS FIRE FACILITY BOARD

The Fairgrounds Fire Facility Board (FFFB) was created by inter-local agreement in 1999. The FFFB manages the Fairgrounds Public Safety Complex, which houses the Clark County Fire Marshal's Office, the Clark County Sheriff's Office West Precinct, as well as a jointly operated volunteer fire station. The FFFB is comprised of the fire chief and one fire commissioner from both CCF&R and Clark County Fire District 6. Members have equal voting rights. CCF&R is the fiscal agent for the FFFB (Fund 154).

The calculated share of facility operations between Clark County and the FFFB has been modified several times since the original 1999 agreement; primarily due to reallocations of office space to meet the needs of the respective agencies. The total facility operations cost share percentage history is as follows:

Year	Clark County	FFFB	Amendment Effective Date
1999 – 2004	45.0%	55.0%	[redacted]
2005 – 2011	49.0%	51.0%	1 – 1/2005
2011 – 2013	51.0%	49.0%	2 – 7/2011
2013 – 2014	58.0%	42.0%	3 – 7/2013
2014 – 2017	59.0%	41.0%	4 – 3/2014

Remaining facility and emergency response operating costs are allocated per the terms of the revised inter-local agreement adopted January 6, 2009 between Clark 6 and CCF&R.

In September 2004 the FFFB agreed to annually review, and if necessary adjust, each District's share of remaining operating costs and FFFB bond liability based on actual response from the joint facility into the respective District using a rolling 24 month assessment period. Following a 2010 agreement for equal distribution, the districts have returned to an approximation of the actual use formula effective January, 2015. Individual fire agency cost share percentages apply to direct emergency service operating expenses and to the FFFB's percentage of the shared facility operation expenses.

The cost share percentage history is as follows:

Year	Fire District 6	Clark F&R
2009 – 2010	60.0%	40.0%
2011 – 2014	50.0%	50.0%
2015 – 2017	60.0%	40.0%

Agency contributions to the Fairgrounds Fire Facility Board Fund 154 for 2015 operations:

Agency	
Clark County	$ 33,706
Clark County Fire District 6	$ 89,296

Agency contributions to the Fairgrounds Fire Facility Board Fund 154 for 2016 operations:

Agency	
Clark County	$ 50,150
Clark County Fire District 6	$ 133,462

FEDERAL GRANT PROGRAMS

Board and administrative direction is to pursue grant opportunities that support the mission and objectives of the district. Direct and indirect 2015 and 2016 Federal grant expenditures did not exceed $750 thousand.

Federal Grant Programs

Program	Description	Performance Period	Status
DHS SAFER 00493	Volunteer Program	8/2011 – 01/2016	Complete[4]
DHS SAFER 00448	(4) Firefighters 100%	2/2014 – 2/2016	Complete[5]
DHS AFG 00819	Smoke Detectors	9/2014 – 9/2015	Complete[6]
DHS AFG 05527	EMS – Heart Monitors	8/2015 – 8/2016	Complete

See *SEFA Schedule 16* for data related to Federal Award financial expenditures.

[4] Close out report submitted May 16, 2016. $168,059 in grant funding de-obligated.

[5] Close out report pending – as of the date of this report, DHS has not released the closeout report module. Grant placed in default status and terminated due to the firefighter layoffs as a result of the loss of the City of Battle Ground service contract. $50,033 in grant funding was de-obligated. The requirement to return previously disbursed grant funds was waived as grant expenditures were made in accordance with the terms and conditions of the grant award prior to the loss of the City of Battle Ground service contract.

[6] All eligible funds expended in 2015. Close out reporting pending.

REGIONAL FIRE AUTHORITY (RFA) PLANNING COMMITTEE

A Regional Fire Authority Planning Committee comprised of representatives from Clark County Fire & Rescue, Clark County Fire District 2, the City of Woodland and the City of Battle Ground was formed in 2012. The purpose of the Committee was to determine options and feasibility of forming an RFA with the four agencies. The City of Battle Ground withdrew from the process on September 3, 2014. The remaining agencies continued to move forward with development of a formal RFA plan.

Joint Resolution No. 651, adopted in February 2015 provided for the submission of a proposition to form an RFA effective July 1, 2015 to qualified electors in a Special Election held on April 28, 2015. The final RFA Plan document was adopted by the RFA Planning Committee on March 3, 2015. The Plan and Resolution documents are published on the District's website. Several public meetings were held where affected residents were given the opportunity to discuss the Plan with agency officials, ask questions and provide input. The meetings were poorly attended. The proposition failed with 54% NO and 46% YES votes.

Despite this set back, agency officials are committed to moving forward with a plan to consolidate services between the three agencies. In November 2015 Clark County Fire & Rescue, Clark Fire District 2 and the City of Woodland adopted Joint Resolution No. 2015-11-1/664, a resolution committing to a future ballot measure proposing the consolidation of fire and EMS services through the formation of a Regional Fire Authority or an annexation into a fire district. Several meetings were held in 2016 to discuss options and future direction. No formal action has been taken to date.

RFA Planning Committee Members as of December 31, 2015:

Clark County Fire & Rescue (Commissioners)
Jon Babcock
James R Johnson
Gerald Kolke

City of Woodland (Council Members)
Jennifer Heffernan
Marilee McCall
Scott Perry

Clark County Fire District 2 (Commissioners)
Ken Ayers
Stan Chunn
Dave Lester

RFA Planning Committee Members as of December 31, 2016:

Clark County Fire & Rescue (Commissioners)
Jon Babcock
Bob Johnson
Stan Chunn

City of Woodland (Council Members)
Jennifer Heffernan
Marilee McCall
Scott Perry

CLARK COUNTY FIRE RESCUE RISK MANAGEMENT GROUP

On October 21, 1994 under the authority of RCW 39.34 and RCW 48.62, the Secretary of State approved the creation of a nonprofit corporation: *Clark County Fire Rescue Risk Management Group (CCFRMG)*. The purpose of the corporation is to pool risk exposure, as well as other cooperative purposes, in an effort to lower insurance premiums for the member districts. The current member districts are Clark County Fire Districts 2 and 6, Clark County Fire & Rescue, East County Fire & Rescue, Cowlitz 2 Fire & Rescue and Cowlitz County Fire District 6.

The officers and directors of the CCFRMG elected January 6, 2016 are listed below:

Chair:	Casey Collins, Clark County Fire District 6
Vice Chair:	Larry Bartel, Clark County Fire & Rescue
Secretary:	Tiffany Palmer, Cowlitz County Fire District 6
Exec Secretary:	Tina Mensinger, Clark County Fire District 6
Registered Agent:	Dave Taylor, Clark County Fire District 6
Risk Manager:	Jerry Green, Clark County Fire District 6

The corporation purchases the typical wide range of insurance coverage through Volunteer Firemen's Insurance Services (VFIS) with American Alternative Insurance Corporation as the underwriter.

Coverage under the policy for the period November 1, 2015 through October 31, 2016:

CCFR – Fund 028	
General Liability (Aggregate)	$3,000,000
General Liability (per Occurrence)	$1,000,000
Business & Auto Coverage (per Occurrence)	$1,000,000
Management Liability (Aggregate)	$3,000,000
Management Liability (each Act)	$1,000,000
Real Property	$13,633,398
Special Property – Boat House	$125,000
Personal Property	$2,058,629
Umbrella (Aggregate)	$20,000,000
Umbrella (per Occurrence)	$10,000,000

FFFB – Fund 154	
Real Property	$3,289,829
Personal Property	$53,509

Coverage under the policy for the period November 1, 2016 through October 31, 2017:

CCFR – Fund 028	
General Liability (Aggregate)	$3,000,000
General Liability (per Occurrence)	$1,000,000
Business & Auto Coverage (per Occurrence)	$1,000,000
Management Liability (Aggregate)	$3,000,000
Management Liability (each Act)	$1,000,000
Real Property	$12,556,335
Special Property – Boat House	$125,000
Personal Property	$2,006,747
Umbrella (Aggregate)	$20,000,000
Umbrella (per Occurrence)	$10,000,000

FFFB – Fund 154	
Real Property	$3,421,422
Personal Property	$55,649

Clark County Fire and Rescue
Schedule of Liabilities
For the Year Ended December 31, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	GO: CLAFIR0405R Apr-05	12/1/2019	1,060,000	-	230,000	830,000
251.11	GO: CLAFIR0913R Sep-13	12/1/2024	2,100,000	-	235,000	1,865,000
263.51	Great America Financial Services	5/16/2021	-	23,548	3,140	20,408
	Total General Obligation Debt/Liabilities:		**3,160,000**	**23,548**	**468,140**	**2,715,408**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Benefit Accrual - Sick Leave		230,253	902	-	231,155
259.12	Benefit Accrual - Vacation Leave		426,309	13,367	-	439,676
264.30	Net Pension Liability - DRS		447,874	-	80,321	367,553
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**1,104,436**	**14,269**	**80,321**	**1,038,384**
	Total Liabilities:		**4,264,436**	**37,817**	**548,461**	**3,753,792**

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	GO: CLAFIR0405R Apr-05	12/1/2019	1,270,000	-	210,000	1,060,000
251.11	GO: CLAFIR0913R Sep-13	12/1/2024	2,335,000	-	235,000	2,100,000
251.11	GO: Equipment Purchase May-07	5/10/2015	37,000	-	37,000	-
251.11	GO: Equipment Purchase Aug-09	8/17/2015	33,334	-	33,334	-
	Total General Obligation Debt/Liabilities:		**3,675,334**	**-**	**515,334**	**3,160,000**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Benefit Accrual - Sick Leave		271,957	-	41,704	230,253
259.12	Benefit Accrual - Vacation Leave		486,051	-	59,742	426,309
264.30	Net Pension Liability		-	447,874	-	447,874
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**758,008**	**447,874**	**101,446**	**1,104,436**
	Total Liabilities:		**4,433,342**	**447,874**	**616,780**	**4,264,436**

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov