



Washington State Auditor's Office

Troy Kelley

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**Financial Statements and Federal Single Audit
Report**

Clark County Fire and Rescue

For the period January 1, 2012 through December 31, 2013

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Washington State Auditor
Troy Kelley

December 19, 2014

Board of Commissioners
Clark County Fire and Rescue
Ridgefield, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Clark County Fire and Rescue's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Federal Summary

Clark County Fire and Rescue January 1, 2012 through December 31, 2013

The results of our audit of Clark County Fire and Rescue are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
97.044	Assistance to Firefighters Grant
97.083	Staffing for Adequate Fire and Emergency Response
97.056	Port Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Federal Audit Findings and Questioned Costs

Clark County Fire and Rescue January 1, 2012 through December 31, 2013

- The District did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.**

CFDA Number and Title:	97.083 Staffing for Adequate Fire and Emergency Response
Federal Grantor Name:	U.S. Department of Homeland Security
Federal Award/Contract Number:	EMS-2010-FF00493, EMW-2011-FH- 00949, EMW-2008-FF-00116-002
Pass-through Entity Name:	City of Woodland
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2013, the District spent \$440,272 in Homeland Security funds to recruit, hire and retain firefighters. The District also purchased telecommunications and video conferencing equipment and software for \$49,601 using these federal funds. While these purchases are allowable, the District must follow federal procurement and suspension and debarment requirements when selecting vendors.

Procurement

The District chose to procure the equipment and software using state procurement requirements for data processing and telecommunication equipment and software. This requires the District to request and evaluate proposals based on identified factors, including price and their relative importance established by the District.

The District requested proposals to be submitted for evaluation; however, did not maintain documentation to demonstrate they properly evaluated proposals received and awarded the contract to the most qualified bidder.

Suspension and Debarment

Federal grant regulations prohibit grant recipients from doing business with or making subawards to parties that have been suspended or debarred. For vendor contracts of \$25,000 or more, the District must ensure the vendors are not suspended or debarred.

To meet this requirement, the vendor can certify in writing that it has not been suspended or debarred, either as part of the contract or in a separate certification. Alternatively, the

District can check for suspended or debarred parties by reviewing the federal Excluded Parties List System maintained by the U.S. General Services Administration.

Although the District did state that they were aware of these federal requirements and did verify that this vendor was not suspended or debarred, the District did not maintain documentation to evidence they had verified the vendor's status using one of the three options.

Cause of Condition

The District has experienced turnover in key staff responsible for ensuring compliance with federal procurement and suspension and debarment requirements. In addition, the District has not historically received significant federal grants and was not aware of the necessity to maintain adequate documentation to demonstrate compliance with federal requirements. We consider this control deficiency to be a material weakness.

Effect of Condition and Questioned Costs

Without supporting documentation for the selection of the bidder, the District cannot demonstrate that the most qualified and advantageous bidder was selected during the request for proposal process.

Furthermore, the District cannot ensure federal funds are paid to vendors that are eligible to participate in federal programs if the vendor's status is not confirmed. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency.

We were able to verify that the vendor was not suspended or debarred and therefore, are not questioning costs paid under this agreement.

Recommendation

We recommend the District establish and follow internal controls to ensure compliance with federal requirements. Specifically, the District should ensure staff responsible for grant compliance are knowledgeable and maintain sufficient documentation to demonstrate compliance.

District's Response

The District appreciates the opportunity to respond to the proposed finding. To the extent the proposed finding suggests that the District's process did not comply with the federal procurement requirements and bid laws, the District respectfully disagrees. The District used a valid process, confirmed the selected vendor was the most qualified and advantageous bidder and that the vendor was not suspended or debarred. The District recognizes that it should better document its process and actions and will institute the

necessary internal practices to better document compliance with the bid laws and federal procurement requirements for future acquisitions.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations*, Section .300 – Auditee Responsibilities, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Title 44, Code of Federal Regulations, Section 13.36 – Procurements, states in part:

(b) Procurement standards.

(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section...

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(d) Methods of procurement to be followed.

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one

source submitting an offer, and either a fixed-price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

(i) Requests for proposals will be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical;

(ii) Proposals will be solicited from an adequate number of qualified sources;

(iii) Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees;

(iv) Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

(v) Grantees and subgrantees may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

RCW 39.04.270 Electronic data processing and telecommunication systems – Municipalities – Acquisition method – Competitive negotiation, states:

(1) The legislature finds that the unique aspects of electronic data processing and telecommunications systems and the importance of these systems for effective administration warrant separate acquisition authority for electronic data processing and telecommunication systems. It is the intent of the legislature that municipalities utilize an acquisition method for electronic data processing and telecommunication systems that is both competitive and compatible with the needs of the municipalities.

(2) A municipality may acquire electronic data processing or telecommunication equipment, software, or services through competitive negotiation rather than through competitive bidding.

(3) "Competitive negotiation," for the purposes of this section, shall include, as a minimum, the following requirements:

(a) A request for proposal shall be prepared and submitted to an adequate number of qualified sources, as determined by the municipality in its discretion, to permit reasonable competition consistent with the requirements of the procurement. Notice of the request for the proposal must be published in a newspaper of general circulation in the municipality at least thirteen days before the last date upon which proposals will be received. The request for proposal shall identify significant evaluation factors, including price, and their relative importance.

(b) The municipality shall provide reasonable procedures for technical evaluation of the proposals received, identification of qualified sources, and selection for awarding the contract.

(c) The award shall be made to the qualified bidder whose proposal is most advantageous to the municipality with price and other factors considered. The municipality may reject any and all proposals for good cause and request new proposals.

Title 2, Code of Federal Regulations, Section 180.220 – Are any procurement contracts included as covered transactions?

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a nonprocurement transaction that is covered under § 180.210 and the amount of the contract is expected to equal or exceed \$25,000.

(c) A subcontract also is a covered transaction if,

(1) It is awarded by a participant in a procurement transaction under a nonprocurement transaction of a Federal agency that extends the coverage of paragraph (b)(1) of this section to additional tiers of contracts (see the diagram in the appendix to this part showing that optional lower tier coverage); and

(2) The value of the subcontract is expected to equal or exceed \$25,000.

Title 2 Code of Federal Regulations, Section 180.300 – What must I do before I enter into a Covered transaction with another person at the Next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 500, states in part:

- (a) The audit shall be conducted in accordance with GAGAS.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. 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.

**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, 2012 through December 31, 2013**

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, Clark County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 11, 2014.

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 or permitted 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.



TROY KELLEY
STATE AUDITOR

September 11, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Clark County Fire and Rescue
January 1, 2012 through December 31, 2013**

Board of Commissioners
Clark County Fire and Rescue
Ridgefield, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Clark County Fire and Rescue, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on

a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be a material weakness.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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.



TROY KELLEY
STATE AUDITOR

September 11, 2014

Independent Auditor's Report on Financial Statements

Clark County Fire and Rescue January 1, 2012 through December 31, 2013

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, Clark County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 20.

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 an opinion 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 using accounting practices prescribed or permitted by Washington State statutes and 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, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Clark County Fire and Rescue, as of December 31, 2013 and 2012, 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 an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Liabilities are also 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 September 11, 2014 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 11, 2014

Financial Section

Clark County Fire and Rescue January 1, 2012 through December 31, 2013

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2012
Notes to Financial Statements – 2013 and 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Liabilities – 2012
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	028 General Fund	126 EMS Fund	154 FFFB
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	186,938	150,934	0	22,874
30880	Beg Fund Bal-Unreserved	1,729,711	1,729,711	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,682,488	4,419,173	222	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	1,100,221	1,099,888	0	0
340	Charges for Goods and Services	3,186,396	3,104,587	0	81,809
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	120,560	110,602	0	9,673
Total Operating Revenues:		9,089,665	8,734,250	222	91,482
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	7,714,153	7,555,898	0	158,255
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		7,714,153	7,555,898		158,255
Net Operating Increase (Decrease):		1,375,512	1,178,352	222	-66,773
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	40,020	40,020	0	0
391-393	Debt Proceeds	2,689,936	0	0	0
397	Transfers-In	2,594,256	7,111	0	61,851
Total Nonoperating Revenues:		5,324,212	47,131		61,851
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	45,617	45,617	0	0
591-593	Debt Service	3,419,868	7,303	0	0
594-595	Capital Expenditures	1,008,695	1,003,100	0	5,595
597	Transfers-Out	2,594,256	526,661	133	0
Total Nonoperating Expenditures:		7,068,436	1,582,681	133	5,595
Increase (Decrease) in Cash and Investments		-368,712	-357,198	89	-10,517
Ending Cash and Investments					
50810	End Fund Bal-Reserved	55,443	30,953	89	12,357
50880	End Fund Balance-Unreserved	1,492,494	1,492,494	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		220 Bond Fund - 11	222 Bond Fund - 12
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	0	13,130
30880	Beg Fund Bal-Unreserved	0	0
38800/58800	Prior Period Adjustments, net	0	0
Operating Revenues			
310	Taxes	0	263,093
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	0	333
340	Charges for Goods and Services	0	0
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	0	285
Total Operating Revenues:			263,711
Operating Expenditures			
510	General Government	0	0
520	Public Safety	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:			
Net Operating Increase (Decrease):			263,711
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	0	0
391-393	Debt Proceeds	2,689,936	0
397	Transfers-In	263,139	2,262,155
Total Nonoperating Revenues:			2,262,155
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	0	0
591-593	Debt Service	886,216	2,526,349
594-595	Capital Expenditures	0	0
597	Transfers-Out	2,066,859	603
Total Nonoperating Expenditures:			2,526,952
Increase (Decrease) in Cash and Investments			-1,086
Ending Cash and Investments			
50810	End Fund Bal-Reserved	0	12,044
50880	End Fund Balance-Unreserved	0	0

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	028 General Fund	126 EMS Fund	154 FFB
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	47,660	35,364	0	321
30880	Beg Fund Bal-Unreserved	1,950,372	1,950,372	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,779,957	4,526,040	334	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	511,165	511,165	0	0
340	Charges for Goods and Services	2,481,099	2,368,553	0	112,546
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	174,918	166,131	0	8,504
Total Operating Revenues:		7,947,139	7,571,889	334	121,050
Operating Expenditures					
510	General Government	60,083	59,083	0	1,000
520	Public Safety	6,933,925	6,870,768	0	63,157
598	Intergovernmental Payments	126,378	3,893	0	122,485
Total Operating Expenditures:		7,120,386	6,933,744		186,642
Net Operating Increase (Decrease):		826,753	638,145	334	-65,592
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	14,644	12,013	0	2,631
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	605,488	635	0	88,100
Total Nonoperating Revenues:		620,132	12,648		90,731
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	-45,617	-45,617	0	0
591-593	Debt Service	769,635	473	0	0
594-595	Capital Expenditures	198,766	196,177	0	2,589
597	Transfers-Out	605,488	604,853	334	0
Total Nonoperating Expenditures:		1,528,272	755,886	334	2,589
Increase (Decrease) in Cash and Investments		-81,387	-105,093	0	22,550
Ending Cash and Investments					
50810	End Fund Bal-Reserved	186,938	150,934	0	22,874
50880	End Fund Balance-Unreserved	1,729,707	1,729,709	0	-3

The accompanying notes are an integral part of this Statement.

BARS Code		220 Bond Fund - 11	222 Bond Fund - 12
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	0	11,975
30880	Beg Fund Bal-Unreserved	0	0
38800/58800	Prior Period Adjustments, net	0	0
Operating Revenues			
310	Taxes	0	253,583
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	0	0
340	Charges for Goods and Services	0	0
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	0	283
Total Operating Revenues:			253,866
Operating Expenditures			
510	General Government	0	0
520	Public Safety	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:			
Net Operating Increase (Decrease):			253,866
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	0	0
391-393	Debt Proceeds	0	0
397	Transfers-In	166,207	350,546
Total Nonoperating Revenues:			350,546
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	0	0
591-593	Debt Service	166,206	602,956
594-595	Capital Expenditures	0	0
597	Transfers-Out	0	301
Total Nonoperating Expenditures:			603,257
Increase (Decrease) in Cash and Investments			1,155
Ending Cash and Investments			
50810	End Fund Bal-Reserved	0	13,130
50880	End Fund Balance-Unreserved	1	0

The accompanying notes are an integral part of this Statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting, and Reporting System (BARS) for Fire Districts in the State of Washington* manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) as prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Clark County Fire & Rescue is a special purpose government that provides fire protection and emergency medical response services to the general public and is supported primarily through property tax revenue. The District was incorporated in 1961 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. The District uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (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 following are the fund types 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 to be accounted for in another fund.

Special Revenue Funds – EMS Fund 126 & FFFB Fund 154

These funds account for the proceeds of specific revenues sources that are contractually or legally restricted or committed to expenditures for specified purposes of the District.

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.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There

is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) 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 activity for the legally adopted budgets was as follows:

2012

Fund/Dept	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund 028			
General Government	\$ 65,850	\$ 59,083	\$ 6,767
Administration	\$ 775,250	\$ 731,363	\$ 43,887
Operations	\$ 5,107,350	\$ 5,199,565	\$ (92,215)
EMS Program	\$ 91,450	\$ 77,892	\$ 13,558
Prevention	\$ 137,650	\$ 132,456	\$ 5,194
Training - External	\$ 279,700	\$ 246,811	\$ 32,889
Training - Internal	\$ 281,550	\$ 240,053	\$ 41,497
Contract Education	\$ 36,850	\$ 13,952	\$ 22,898
Facilities	\$ 205,300	\$ 228,675	\$ (23,375)
Debt Service	\$ 500	\$ 473	\$ 27
Capital Expense	\$ 695,500	\$ 196,176	\$ 499,324
Payroll Clearing	\$ -	\$ (45,617)	\$ 45,617
Intergovt Payments	\$ -	\$ 3,893	\$ (3,893)
Interfund Transfers	\$ 604,850	\$ 604,853	\$ (3)
Total General Fund	\$ 8,281,800	\$ 7,689,628	\$ 592,172
EMS Fund 126	\$ 350	\$ 334	\$ 16
FFFB Fund 154	\$ 195,600	\$ 189,229	\$ 6,371
Debt Service Fund 220	\$ 166,200	\$ 166,207	\$ (7)
Debt Service Fund 222	\$ 603,450	\$ 603,257	\$ 193

2013

Fund/Dept	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund 028			
Administration	\$ 901,850	\$ 863,647	\$ 38,203
Operations	\$ 5,868,500	\$ 5,830,300	\$ 38,200
EMS Program	\$ 45,300	\$ 39,980	\$ 5,320
Prevention	\$ 153,000	\$ 145,464	\$ 7,536
Training - External	\$ 244,500	\$ 163,316	\$ 81,184
Training - Internal	\$ 286,650	\$ 255,015	\$ 31,635
Contract Education	\$ 14,334	\$ 10,128	\$ 4,206
Facilities	\$ 285,700	\$ 248,039	\$ 37,661
Debt Service	\$ 7,400	\$ 7,303	\$ 97
Capital Expense	\$ 1,054,850	\$ 1,003,100	\$ 51,750
Payroll Clearing	\$ -	\$ 45,617	\$ (45,617)
Interfund Transfers	<u>\$ 529,550</u>	<u>\$ 526,661</u>	<u>\$ 2,889</u>
Total General Fund	\$ 9,391,634	\$ 9,138,570	\$ 253,064
EMS Fund 126	\$ 50	\$ 133	\$ (83)
FFFB Fund 154	\$ 174,450	\$ 163,850	\$ 10,600
Debt Service Fund 220	\$ 2,953,150	\$ 2,953,075	\$ 75
Debt Service Fund 222	\$ 2,526,900	\$ 2,526,952	\$ (52)

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.

d. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The District's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission.

f. Investments

See Note 2, *Investments*.

g. Capital Assets

Capital assets are assets with an initial individual item cost of greater than

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

h. Compensated Absences

Vacation leave for contract labor, full time administrative and permanent part time administrative personnel may be carried over annually with no limit of accumulation. Upon submittal of resignation, 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.

Sick leave may be accumulated up to 400 hours for permanent part time administrative staff, 800 hours for contract labor non-shift (40 hour/week) personnel, and 1200 hours for all full-time administrative and contract labor shift personnel. After of 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 their current base rate of pay into an appropriate medical savings account (i.e. VEBA or MERP account). The balance of accrued leave shall be forfeited.

Other part time personnel do not accrue benefits.

The District's estimated liability for sick leave termination benefits as of December 31, 2012 and 2013 is shown on the respective Schedule 9.

i. Long-Term Debt

See Note 4, *Debt Service Requirements*.

j. Other Financing Sources or Uses

The District's *Other Financing Sources or Uses* consist of District interfund transfers. Transfers by fund for 2012 and 2013 are as follows:

2012

<u>Financing Sources</u>	<u>Financing Uses</u>	<u>Amount</u>
Bond Fund 220	General Fund 028	\$ 166,207
Bond Fund 222	General Fund 028	\$ 350,546
General Fund 028	Bond Fund 222	\$ 301
General Fund 028	EMS Fund 126	\$ 334
Special Fund 154	General Fund 028	\$ 88,100

2013

Financing Sources	Financing Uses	Amount
Bond Fund 220	General Fund 028	\$ 263,139
Bond Fund 222	Bond Fund 6220	\$ 2,060,484
Bond Fund 222	General Fund 028	\$ 201,671
General Fund 028	Bond Fund 220	\$ 6,375
General Fund 028	Bond Fund 222	\$ 603
General Fund 028	EMS Fund 126	\$ 133
Special Fund 154	General Fund 028	\$ 61,851

k. Grants

Board and administrative direction is to aggressively pursue all grant opportunities that support the mission and objectives of the District. 2012 Federal grant expenditures were less than \$500,000. Direct and indirect 2013 Federal grant expenditures exceeded \$1 million.

Federal Grant Activity

Program	Description	Performance Period	Status
DHS SAFER 00493	Volunteer Program	8/2011 – 7/2015	Ongoing
DHS SAFER 00949	(3) Firefighters 100%	7/2012 – 6/2014	Ongoing
DHS SAFER 00448	(4) Firefighters 100%	2/2014 – 2/2016	Ongoing
DHS AFG 01679	Communication Equip	2/2013 – 6/2014	Complete*
DHS AFG 00563	Smoke Detectors	8/2013 – 8/2014	Complete*
DHS SAFER 00116	Volunteer Program	WFD Pass Through	Complete*
DHS PSGP K142	Marine Training	MFSA Pass Through	Complete*
DHS PSGP K050	(ARRA) Fire Boat	VFD Pass Through	Complete*

*Objectives met. Awarded funds have been expended.

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

l. Risk Management

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 District 6, Clark County Fire & Rescue, East County Fire & Rescue and Cowlitz 2 Fire & Rescue. Clark County Fire District 2 became a member of the pool following special meeting of the group held on Tuesday, April 23, 2013.

The officers and directors of the CCRMG as of January 2, 2013 are listed below:

Chair:	Michael Lambrecht, Clark County Fire & Rescue
Vice Chair:	Casey Collins, Clark County Fire District 6
Secretary:	Bill Hallanger, Cowlitz 2 Fire & Rescue
Exec Secretary:	Tina Mensinger, Clark County Fire District 6

Registered Agent: Dave Taylor, Clark County Fire District 6
 Risk Manager: Dennis Mason, Clark County Fire & Rescue

The officers and directors of the CCRMG as of January 8, 2014 are listed below:

Chair: Casey Collins, Clark County Fire District 6
 Vice Chair: Dennis Mason, Clark County Fire & Rescue
 Secretary: Bill Hallanger, Cowlitz 2 Fire & Rescue
 Exec Secretary: Tina Mensinger, Clark County Fire District 6
 Registered Agent: Dave Taylor, Clark County Fire District 6
 Risk Manager: Dennis Mason, Clark County Fire & Rescue

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 is as follows:

CCFR – Fund 028	12/31/12
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	\$10,955,423
Special Property – Boat House	\$25,000
Personal Property	\$1,795,326
Crime	\$100,000
Umbrella (Aggregate)	\$20,000,000
Umbrella (per Occurrence)	\$10,000,000

FFFB – Fund 154	12/31/12
Real Property Insurance	\$2,924,646
Personal Property Insurance	\$47,569

CCFR – Fund 028	12/31/13
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	\$11,592,622
Special Property – Boat House	\$125,000
Personal Property	\$660,883
Crime	\$100,000
Umbrella (Aggregate)	\$20,000,000
Umbrella (per Occurrence)	\$10,000,000

FFFB – Fund 154	12/31/13
Real Property Insurance	\$3,041,632
Personal Property Insurance	\$49,472

I. Reserved Fund Balances

The District allocated General Fund 028 reserves for the Clark County EMS Consortium under an interagency agreement with Camas Fire, Washougal Fire, East County Fire & Rescue and Clark County Fire Districts 3 and 6, which was implemented in February 2010. As of December 31, 2013 the only remaining participants in the program were the District and East County Fire & Rescue. The fund balance as of December 31, 2013 was \$30,953.

Funds remaining in EMS Fund 126 consist of delinquent tax collections on an EMS levy assessed by Clark County Fire District 12 in tax years 2003-2007. These funds are strictly reserved for the purpose of emergency medical services. The fund balance as of December 31, 2013 was \$89. Funds are transferred to the general fund to contribute towards the District's EMS program costs.

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 6, *Other Disclosures*. The fund balance as of December 31, 2013 was \$12,357.

Funds held in Bond Fund 222 are strictly reserved for the purpose of voted debt redemption. The fund balance as of December 31, 2013 was \$12,044.

NOTE 2 - INVESTMENTS

The District's investments are held by the Clark County Treasurer Office, which operates as the District's fiscal agent. The aggregate County Pool distribution of investments (by type) as of December 31 was as follows:

Type	2012		2013	
	Book Value*	%	Book Value*	%
Federal Agencies Semi-Annual Coupon	\$ 372.1	72.9	\$ 354.7	68.0
Federal Agencies Discount	\$ 7.1	1.4		
Treasury Coupons	\$ 20.0	3.9	\$ 60.0	11.5
WA State LGIP	\$ 99.5	19.5	\$ 82.9	15.9
Short Term Money Market	\$ 12.0	2.3	\$ 12.1	2.3
Municipal Bonds			\$ 12.0	2.3
Total	\$ 510.7	100.0	\$ 521.7	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, presented at fair value, was as follows:

	2012	2013
General Fund 028	\$ 1,998,156	\$ 1,868,085
Bond Fund 222	\$ 12,077	\$ 12,055
FFFB Fund 154	\$ 25,468	\$ 9,312

NOTE 3 - PROPERTY TAXES

The Clark County Treasurer acts as an agent to collect property taxes 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 tax is levied.

The District's regular levy rates were as follows:

Year	Rate/\$1K	Valuation	Levy
2009	\$ 1.4580374	\$ 4,048,946,396	\$ 5,903,515
2010	\$ 1.5000000	\$ 3,340,874,400	\$ 5,011,312
2011	\$ 1.5000000	\$ 3,124,803,709	\$ 4,687,206
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

The District's capital bond levy* rates were as follows:

Year	Rate/\$1K	Valuation	Levy
2009	\$ 0.1186063	\$ 1,915,156,897	\$ 199,942
2010	\$ 0.1485471	\$ 1,625,746,517	\$ 241,500
2011	\$ 0.1631358	\$ 1,531,639,622	\$ 249,865
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

**Note:*

The capital bond levy was originated by Clark County Fire District 12. Taxpayers owning property located in Fire District 14 and Fire District 11 at the time the levy was passed (1999) do not pay this assessment. Districts 12 and 14 merged in March 2001 and Districts 11 and 12 (now Clark County Fire & Rescue) merged in November 2008. Assessed valuation for the bond levy calculation will be significantly less than the regular assessment (even allowing for the low income/senior discount) until this bond is fully redeemed in 2019.

Delinquent taxes receivable by Fund as of December 31 was as follows:

	2012	2013
Bond Fund 222	\$ 13,413	\$ 12,180
EMS Fund 126	\$ 0	\$ 0
General Fund 028	\$ 248,549	\$ 215,457

NOTE 4 – DEBT SERVICE

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for the year ended December 31, 2013.

On September 3, 2013, the District issued \$2.645 million in LTGO refunding bonds in order to refinance existing GO debt at a more advantageous interest rate. The underwriter was D. A. Davidson & Co, bond counsel was Foster Pepper PLLC, and the Fiscal Agent and Bond Registrar is the Bank of New York Mellon. The District's Standard & Poor's bond rating was established as "A+". Underwriting fees on this issue were \$38,327.50. Bond counsel services were \$15,100. Bond rating fees were \$6,375. The premium on bonds sold was \$44,936. Realized savings over the remaining life of the debt (net of issue costs) was calculated at \$229,273.

The debt service requirements for the District's remaining general obligation bonds and other debt, including both principal and interest, are as follows:

December 31, 2012

	<u>GO Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2013	\$ 747,114	\$ 0	\$ 747,114
2014	\$ 687,650	\$ 0	\$ 687,650
2015	\$ 670,468	\$ 0	\$ 670,468
2016	\$ 603,651	\$ 0	\$ 603,651
2017	\$ 618,141	\$ 0	\$ 618,141
2018-22	\$ 2,126,299	\$ 0	\$ 2,126,299
2023-27	\$ 461,102	\$ 0	\$ 461,102
2028-32	\$ 0	\$ 0	\$ 0
TOTALS	<u>\$ 5,914,424</u>	<u>\$ 0</u>	<u>\$ 5,914,424</u>

December 31, 2013

	<u>GO Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2014	\$ 663,311	\$ 0	\$ 663,311
2015	\$ 649,269	\$ 0	\$ 649,269
2016	\$ 580,613	\$ 0	\$ 580,613
2017	\$ 593,262	\$ 0	\$ 593,262
2018	\$ 604,438	\$ 0	\$ 604,438
2019-23	\$1,633,944	\$ 0	\$1,633,944
2024-28	\$ 213,200	\$ 0	\$ 213,200
2029-33	\$ 0	\$ 0	\$ 0
TOTALS	<u>\$4,938,037</u>	<u>\$ 0</u>	<u>\$4,938,037</u>

NOTE 5 - PENSION PLANS

Substantially all of the District's full-time and qualifying part-time employees participate in the LEOFF 2, PERS 2, or PERS 3 plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement and defined contribution retirement plans.

Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trends or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be found on their web site at www.drs.wa.gov or obtained by writing to:

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

NOTE 6 – OTHER DISCLOSURES

Compliance and Accountability

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

Retirees

The District provides legislated medical coverage for one LEOFF 1 retiree (1983).

Board of Commissioners

The 2012 - 2013 Board was comprised as follows:

Pos	Name	Term Ending
1	Michael Lambrecht	December 31, 2013
2	James R Johnson	December 31, 2015
3	Gerald Kolke	December 31, 2017
4	S Jon Babcock	December 31, 2017
5	Richard Britschgi	December 31, 2013

Litigation

A dispute with another former employee, whose position was eliminated on December 31, 2011, was resolved in May 2012. Total cost to the District was \$6,346 in legal fees. The final settlement was paid by the District's liability insurance carrier.

The District's contractual dispute with a property developer initiated in 2011 was resolved per an agreement mediated by an administrative judge in October 2013. The dispute was over the three remaining semi-annual debt service payments of \$31,509.51 for the aerial ladder truck donated by the developer in 2003. As of April 30, 2012, the District had \$1,439 in reserves to cover this liability (accrued interest on prior reserve balances). The funding shortage to cover the remaining liability was drawn from the general fund. Legal services to resolve the matter totaled \$51,009. A settlement check in the amount of \$60,000 was received on December 5, 2013.

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 administrative support services to Clark County Fire District 2. Per the contract, District staffing was increased by three firefighters and an administrative chief. The District also absorbed the City's volunteer program. Clark 2 had no employees or volunteers. The contract amount is calculated on the City's taxable assessed value at the District's current levy rate.

Effective December 21, 2011, the District renewed the protection services contract with the City of Battle Ground. A "phase in" process was incorporated into the contract to bring the City's rate in line with that paid by the rest of the District. The new contract is based on the City's taxable assessed valuation. Effective tax year 2014 the City contract rate and general levy rate assessed in the District are equal.

Protection services contract revenue history is as follows:

Year	City of Battle Ground	City of Woodland
2012	\$ 1,571,288	
2013	\$ 1,739,057	\$ 914,507
2014	\$ 1,999,175	\$ 1,035,300

Fairgrounds Fire Facility Board

The Fairgrounds Fire Facility Board (FFFB) was created by inter-local agreement in 1999. The Board is responsible for facility management of 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 Clark County Fire & Rescue and Clark County Fire District 6. Members have equal voting rights.

The calculated share of facility operations between Clark County and the FFFB has changed several times since the original agreement was signed in 1999 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%	
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	59.0%	41.0%	4 – 3/2014

Remaining facility and emergency response operating costs are allocated under a revised interlocal agreement adopted January 6, 2009 between Clark 6 and Clark County Fire & Rescue.

In September of 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. Prior to the merger with District 12, CCF&R bore far less of a burden due to the comparatively low percentage of facility utilization. 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. In September 2010, the two Districts agreed to equally split these costs.

The cost share percentage history is as follows:

Year	Fire District 6	Clark F&R	Fire District 12
1999 – 2004	33.34%	33.33%	33.33%
2005	42%	16%	42%
2006	41%	18%	41%
2007	41.5%	17%	41.5%
2008	43.5%	13%	43.5%
2009 – 2010	60.0%	40.0%	
2011 – 2014	50.0%	50.0%	

Agency contributions to the Fairgrounds Fire Facility Board Fund 154 for 2012 and 2013 operations were as follows:

Agency	2012	2013
Clark County	\$ 24,446	\$ 19,958
Clark County Fire District 6	\$ 88,100	\$ 61,851

Regional Fire Authority (RFA)

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 is to determine options and feasibility of forming an RFA with the four agencies. Due to the number of elected officials up for reelection and the implementation of the CCF&R contract with the City of Woodland, the Committee postponed further activity on the project in early 2013. Meetings resumed on February 25, 2014.

2013 Elected Official Committee Members by jurisdiction:

Clark County Fire & Rescue (Commissioners)

- Jon Babcock
- Bob Johnson
- Jerry Kolke

Clark County Fire District 2 (Commissioners)

Ken Ayers
Stan Chunn
Dave Lester

City of Battle Ground (Council Members)

Adrian Cortes (Committee Chair)
Mike Dalesandro
Lyle Lamb

City of Woodland (Council Members)

Benjamin Fredricks
Marilee McCall
Scott Perry

Clark County Fire and Rescue

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.12	GO: CLAFIR0405R Apr-05	12/1/2019	1,635,000	0	175,000	1,460,000
	251.11	GO: CLAFIR0913R Sep-13	12/1/2019	0	2,645,000	85,000	2,560,000
	251.11	GO: Land Purchase Jan-04	6/1/2014	78,408	0	52,272	26,136
	251.11	GO: Equipment Purchase Mar-04	6/1/2013	30,912	0	30,912	0
	251.11	GO: Station Construction Jan-05	12/1/2024	2,058,287	0	2,058,287	0
	251.11	GO: Station Remodel Sep-06	9/1/2021	635,000	0	635,000	0
	251.11	GO: Equipment Purchase May-07	5/10/2015	111,000	0	37,000	74,000
	251.11	GO: Equipment Purchase Aug-09	8/17/2015	100,001	0	33,333	66,668
	259.11	Benefit Accrual - Sick Leave		186,513	267,327	226,652	227,188
	259.11	Benefit Accrual - Vacation Leave		356,280	451,668	394,235	413,713
Total General Obligations:				5,191,401	3,363,995	3,727,691	4,827,705
Total Liabilities:				5,191,401	3,363,995	3,727,691	4,827,705

The accompanying notes to the financial statements are an integral part of this schedule

Clark County Fire and Rescue

Schedule of Liabilities

For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	251.12	GO: CLAFIR0405R Apr-05	12/1/2019	1,790,000	0	155,000	1,635,000
	251.11	GO: Land Purchase Jan-04	6/1/2014	130,680	0	52,272	78,408
	251.11	GO: Station Construction Jan-05	12/1/2024	2,180,670	0	122,383	2,058,287
	251.11	GO: Station Remodel Sep-06	9/1/2021	690,000	0	55,000	635,000
	251.11	GO: Equipment Purchase May-07	5/10/2015	148,000	0	37,000	111,000
	251.11	GO: Equipment Purchase Aug-09	8/17/2015	133,334	0	33,333	100,001
	259.11	Benefit Accrual - Sick Leave		155,113	240,833	209,433	186,513
	259.11	Benefit Accrual - Vacation Leave		346,265	384,961	374,946	356,280
	251.11	GO: Equipment Purchase Mar-04	6/1/2013	90,974	0	60,062	30,912
				Total General Obligations:	5,665,036	1,099,429	5,191,401
				Total Liabilities:	625,794	1,099,429	5,191,401

The accompanying notes to the financial statements are an integral part of this schedule

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/ Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total Amount	
Department Of Homeland Security/	Assistance to Firefighters Grant	97.044	EMW-2012-FO- 01679		395,029	395,029	1,2
Department Of Homeland Security/	Assistance to Firefighters Grant	97.044	EMW-2012-FP- 00563-001		7,943	7,943	1,2
Total CFDA 97.044				0	402,972	402,972	
Department Of Homeland Security/M/SA	Port Security Grant Program	97.056	2008-GB-T8-K142	3,806		3,806	1,2
Department Of Homeland Security/City of Vancouver	Port Security Grant Program	97.056	2009-PU-T9-K050- VFD-1.2	378,231		378,231	1,2
Total CFDA 97.056				382,037	0	382,037	
Department Of Homeland Security/	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMS-2010-FF- 00493		145,332	145,332	1,2
Department Of Homeland Security/	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH- 00949		182,082	182,082	1,2
Department Of Homeland Security/City of Woodland	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF- 00116-002	112,858		112,858	1,2
Total CFDA 97.083				112,858	327,414	440,272	
Total Federal Awards Expended:				494,895	730,386	1,225,281	

**MCAG 2959
CLARK COUNTY FIRE & RESCUE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the District's portion, are more than shown.

NOTE 3 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

<p>Corrective Action Plan for Findings Reported Under OMB Circular A-133</p>

Clark County Fire and Rescue
January 1, 2012 through December 31, 2013

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of Clark County Fire and Rescue.

Finding ref number: 1	Finding caption: The District did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.
Name, address, and telephone of auditee contact person: Kathy Streissguth 911 N.E. 65th Avenue Ridgefield, WA 98642 (360) 887-4609	
Corrective action the auditee plans to take in response to the finding: <i>The District appreciates the opportunity to respond to the proposed finding. To the extent the proposed finding suggests that the District's process did not comply with the federal procurement requirements and bid laws, the District respectfully disagrees. The District used a valid process, confirmed the selected vendor was the most qualified and advantageous bidder and that the vendor was not suspended or debarred. The District recognizes that it should better document its process and actions and will institute the necessary internal practices to better document compliance with the bid laws and federal procurement requirements for future acquisitions.</i>	
Anticipated date to complete the corrective action: Immediately	

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

Clark County Fire and Rescue

For the period January 1, 2012 through December 31, 2013

Published November 13, 2014

Report No. 1012958





Washington State Auditor Troy Kelley

November 13, 2014

Board of Commissioners
Clark County Fire and Rescue
Ridgefield, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR

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AUDIT SUMMARY

Results in brief

In most areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to the District management in a letter dated October 10, 2014 related to procurement and payroll. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Clark County Fire and Rescue from January 1, 2012 through December 31, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Payroll – salaries, benefits, leave accruals and usage and commissioner compensation
- Procurement – purchases
- Open Public Meeting Act compliance
- Disbursements – general and employee reimbursements
- Safeguarding of narcotics
- Use and monitoring of fuel

RELATED REPORTS

Financial

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report. That report includes a federal finding regarding compliance with procurement and suspension and debarment requirements.

INFORMATION ABOUT THE DISTRICT

In November 2008, the citizens of Clark County Fire Protection District No. 11 and No. 12 voted to merge the two organizations into one agency known as Clark County Fire and Rescue. The District provides emergency medical services, fire prevention and suppression services by protecting life and property through preparation, prevention, education and response. The District protects the city of Battle Ground under a service contract. In March 2013, the District entered into a second service contract to protect the city of Woodland and Clark County Fire Protection District No. 2. The cities of La Center and Ridgefield are annexed and do not require a separate agreement. The District's service area encompasses 162 square miles and includes approximately 55,000 citizens.

An elected, five-member Board of Commissioners governs the District. The Board appoints a Fire Chief to oversee the District's daily operations as well as its 61 full-time firefighters and administrative personnel, one part-time secretary, three part-time firefighters and 36 volunteers. Following the merger, the District had an annual budget of approximately \$9.6 million and \$10.9 million for 2012 and 2013, respectively.

Contact information related to this report

Address:	Clark County Fire and Rescue 911 N.E. 65th Avenue Ridgefield, WA 98642
Contact:	Kathy Streissguth, Finance Manager
Phone:	(360) 887-4609
Website:	www.clarkfr.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for Clark County Fire and Rescue at <http://portal.sao.wa.gov/ReportSearch>.

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