



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Dayton

Columbia County

For the period January 1, 2011 through December 31, 2013

Published December 22, 2014

Report No. 1013166





**Washington State Auditor
Troy Kelley**

December 22, 2014

Mayor and City Council
City of Dayton
Dayton, Washington

Report on Financial Statements

Please find attached our report on the City of Dayton's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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**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***

**City of Dayton
Columbia County
January 1, 2011 through December 31, 2013**

Mayor and City Council
City of Dayton
Dayton, 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 the City of Dayton, Columbia County, Washington, as of and for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 11, 2014.

We issued an unmodified opinion on the fair presentation of the City'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 City 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 City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated December 11, 2014.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City'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*. However, we noted certain matters that we have reported to the management of the City in a separate letter dated December 11, 2014.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

December 11, 2014

Independent Auditor's Report on Financial Statements

**City of Dayton
Columbia County
January 1, 2011 through December 31, 2013**

Mayor and City Council
City of Dayton
Dayton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Dayton, Columbia County, Washington, for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

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 City'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 City'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, the City of Dayton 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 the City of Dayton, for the years ended December 31, 2013, 2012 and 2011, 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 City 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 the City of Dayton, as of December 31, 2013, 2012 and 2011, 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

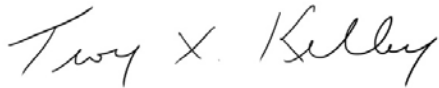
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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 11, 2014 on our consideration of the City'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 City's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

December 11, 2014

Financial Section

**City of Dayton
Columbia County
January 1, 2011 through December 31, 2013**

FINANCIAL STATEMENTS

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense	101 Cemetery	102 Historic Pathway
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	398,179	0	0	0
30880	Beg Fund Bal-Unreserved	1,306,945	251,849	7,034	54
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	931,605	685,330	0	0
320	Licenses & Permits	6,538	4,722	0	0
330	Intergovernmental Revenues	198,103	74,371	0	0
340	Charges for Goods and Services	1,900,757	335,141	24,176	0
350	Fines & Penalties	73,572	48,782	0	0
360	Miscellaneous Revenues	70,774	12,338	47,928	63
Total Operating Revenues:		3,181,349	1,160,685	72,104	63
Operating Expenditures					
510	General Government	269,179	269,179	0	0
520	Public Safety	338,466	338,466	0	0
530	Utilities	1,319,997	336,705	69,280	0
540	Transportation	239,549	0	0	0
550	Natural and Economic Environment	133,665	105,184	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	165,381	159,946	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,466,237	1,209,480	69,280	
Net Operating Increase (Decrease):		715,112	-48,795	2,824	63
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	106,049	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	619,863	0	15,594	0
Total Nonoperating Revenues:		725,912	0	15,594	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	62,629	34,742	0	0
591-593	Debt Service	542,007	1,213	0	0
594-595	Capital Expenditures	299,705	870	543	0
597	Transfers-Out	619,863	15,594	0	0
Total Nonoperating Expenditures:		1,524,204	52,419	543	
Increase (Decrease) in Cash and Investments		-83,180	-101,215	17,875	63
Ending Cash and Investments					
50810	End Fund Bal-Reserved	398,179	0	0	0
50880	End Fund Balance-Unreserved	1,223,661	150,359	24,910	116

The accompanying notes are an integral part of this Statement.

BARS Code		103 City Streets & Road	104 Library	105 CE Cumulative Reserve	106 Hotel/Motel Excise Tax
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	109,668	2,326	48,542	4,329
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	181,782	0	24,269	40,224
320	Licenses & Permits	1,092	0	0	0
330	Intergovernmental Revenues	123,732	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1,652	4,069	83	10
Total Operating Revenues:		308,257	4,069	24,351	40,234
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	239,549	0	0	0
550	Natural and Economic Environment	0	0	0	28,481
560	Social Services	0	0	0	0
570	Culture And Recreation	0	3,570	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		239,549	3,570		28,481
Net Operating Increase (Decrease):		68,708	499	24,351	11,753
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	27,887	0	0	0
591-593	Debt Service	1,566	0	0	0
594-595	Capital Expenditures	86,101	0	2,947	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		115,554		2,947	
Increase (Decrease) in Cash and Investments		-46,846	499	21,405	11,753
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	63,038	2,814	69,947	16,082

The accompanying notes are an integral part of this Statement.

BARS Code		107 Delany Bldg Cumulative Reserve	401 Sewer Revenue	402 Sewer Cumulative Reserve	403 Water Revenue
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	4,603	98,492	89,883	141,914
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	284	0	441
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	787,608	0	753,833
350	Fines & Penalties	0	0	0	24,790
360	Miscellaneous Revenues	1,866	204	120	194
Total Operating Revenues:		1,866	788,095	120	779,257
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	395,602	0	518,410
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	1,865	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		1,865	395,602		518,410
Net Operating Increase (Decrease):		1	392,494	120	260,848
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	2,500	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	43,296	0
Total Nonoperating Revenues:				45,796	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	29,170	0
597	Transfers-Out	0	349,696	0	254,573
Total Nonoperating Expenditures:				29,170	254,573
Increase (Decrease) in Cash and Investments		1	42,798	16,746	6,275
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	4,604	141,290	106,629	148,154

The accompanying notes are an integral part of this Statement.

BARS Code		404 Water Cumulative Reserve	413 Water/Sewer Bond Reserve	414 W/S Debt Service	420 W/S Loan Repayment
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	398,179	0	0
30880	Beg Fund Bal-Unreserved	238,522	0	102,499	117,266
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	293	0	1,711	149
Total Operating Revenues:		293		1,711	149
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		293	0	1,711	149
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	103,549	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	17,400	0	312,063	231,509
Total Nonoperating Revenues:		120,949		312,063	231,509
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	323,601	215,628
594-595	Capital Expenditures	128,600	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		128,600		323,601	215,628
Increase (Decrease) in Cash and Investments		-7,358	0	-9,827	16,030
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	398,179	0	0
50880	End Fund Balance-Unreserved	231,164	0	92,671	133,297

The accompanying notes are an integral part of this Statement.

BARS Code		501 Equipment Replacement
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	89,964
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	0
350	Fines & Penalties	0
360	Miscellaneous Revenues	96
Total Operating Revenues:		96
Operating Expenditures		
510	General Government	0
520	Public Safety	0
530	Utilities	0
540	Transportation	0
550	Natural and Economic Environment	0
560	Social Services	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		0
Net Operating Increase (Decrease):		96
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues:		0
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	51,474
597	Transfers-Out	0
Total Nonoperating Expenditures:		51,474
Increase (Decrease) in Cash and Investments		-51,378
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	38,586

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*	001 Current Expense	101 Cemetery	102 Historic Pathway
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	398,179	0	0	0
30880	Beg Fund Bal-Unreserved	1,186,278	230,074	23,936	6
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	919,973	674,204	0	0
320	Licenses & Permits	5,977	4,706	0	0
330	Intergovernmental Revenues	151,833	100,027	0	0
340	Charges for Goods and Services	1,872,488	345,794	15,438	0
350	Fines & Penalties	93,460	68,424	0	0
360	Miscellaneous Revenues	48,693	9,191	23,384	48
Total Operating Revenues:		3,092,425	1,202,345	38,823	48
Operating Expenditures					
510	General Government	225,876	225,876	0	0
520	Public Safety	370,823	370,823	0	0
530	Utilities And Environment	1,317,562	329,800	82,201	0
540	Transportation	199,487	0	0	0
550	Economic Environment	50,849	28,499	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	146,799	141,780	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,311,395	1,096,778	82,201	
Net Operating Increase (Decrease):		781,029	105,567	-43,379	48
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	24,344	2,719	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	743,298	0	26,477	0
Total Nonoperating Revenues:		767,642	2,719	26,477	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	81,666	54,722	0	0
591-593	Debt Service	539,305	1,789	0	0
594-595	Capital Expenditures	63,734	3,000	0	0
597	Transfers-Out	743,298	27,002	0	0
Total Nonoperating Expenditures:		1,428,003	86,512		
Increase (Decrease) in Cash and Investments		120,668	21,775	-16,902	48
Ending Cash and Investments					
50810	End Fund Bal-Reserved	398,179	0	0	0
50880	End Fund Balance-Unreserved	1,306,947	251,849	7,034	54

The accompanying notes are an integral part of this Statement.

BARS Code		103 City Streets & Road	104 Library	105 CE Cumulative Reserve	106 Hotel/Motel Excise Tax
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	80,569	1,490	36,647	5,827
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	211,293	0	13,631	20,845
320	Licenses & Permits	686	0	0	0
330	Intergovernmental Revenues	51,806	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	485	4,065	53	6
Total Operating Revenues:		264,270	4,065	13,684	20,851
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	199,487	0	0	0
550	Economic Environment	0	0	0	22,349
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	3,228	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		199,487	3,228		22,349
Net Operating Increase (Decrease):		64,783	837	13,684	-1,498
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	26,944	0	0	0
591-593	Debt Service	2,510	0	0	0
594-595	Capital Expenditures	3,480	0	1,789	0
597	Transfers-Out	2,750	0	0	0
Total Nonoperating Expenditures:		35,684		1,789	
Increase (Decrease) in Cash and Investments		29,099	837	11,895	-1,498
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	109,668	2,326	48,542	4,329

The accompanying notes are an integral part of this Statement.

BARS Code		107 Delany Bldg Cumulative Reserve	401 Sewer Revenue	402 Sewer Cumulative Reserve	403 Water Revenue
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	4,600	142,039	10,775	182,020
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	239	0	347
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	766,125	0	745,130
350	Fines & Penalties	0	0	0	25,037
360	Miscellaneous Revenues	1,793	468	43	178
Total Operating Revenues:		1,793	766,833	43	770,692
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	395,691	0	509,870
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	1,790	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		1,790	395,691		509,870
Net Operating Increase (Decrease):		3	371,141	43	260,821
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	2,500	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	104,160	0
Total Nonoperating Revenues:				106,660	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	2,070	27,595	0
597	Transfers-Out	0	412,618	0	300,928
Total Nonoperating Expenditures:			414,688	27,595	300,928
Increase (Decrease) in Cash and Investments		3	-43,547	79,108	-40,107
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	4,603	98,492	89,883	141,914

The accompanying notes are an integral part of this Statement.

BARS Code		404 Water Cumulative Reserve	413 Water/Sewer Bond Reserve	414 W/S Debt Service	420 W/S Loan Repayment
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	398,179	0	0
30880	Beg Fund Bal-Unreserved	182,353	0	93,993	118,182
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	264	0	8,499	96
Total Operating Revenues:		264		8,499	96
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		264	0	8,499	96
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	19,125	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	62,580	0	317,359	216,643
Total Nonoperating Revenues:		81,705		317,359	216,643
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	317,352	217,655
594-595	Capital Expenditures	25,800	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		25,800		317,352	217,655
Increase (Decrease) in Cash and Investments		56,169	0	8,506	-916
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	398,179	0	0
50880	End Fund Balance-Unreserved	238,522	0	102,499	117,266

The accompanying notes are an integral part of this Statement.

BARS Code		501 Equipment Replacement
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	73,766
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	0
350	Fines & Penalties	0
360	Miscellaneous Revenues	120
Total Operating Revenues:		120
Operating Expenditures		
510	General Government	0
520	Public Safety	0
530	Utilities And Environment	0
540	Transportation	0
550	Economic Environment	0
560	Mental & Physical Health	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		0
Net Operating Increase (Decrease):		120
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	16,079
Total Nonoperating Revenues:		16,079
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	0
597	Transfers-Out	0
Total Nonoperating Expenditures:		0
Increase (Decrease) in Cash and Investments		16,199
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	89,964

The accompanying notes are an integral part of this Statement.

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CITY OF DAYTON
FUND RESOURCES AND USES
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

BARS CODE		Total for All Funds	001
			Current Expense
Beginning Cash and Investments			
308.10	Reserved	\$398,179	
308.80	Unreserved	1,377,744	213,852
	Prior Period Adjustments (388.80 and 588.80)	0	
Revenues and Other Sources			
310	Taxes	932,189	678,586
320	Licenses and Permits	4,774	4,153
330	Intergovernmental	278,519	120,128
340	Charges for Goods and Services	1,851,431	333,241
350	Fines and Penalties	92,208	68,247
360	Miscellaneous	48,751	6,817
370	Capital Contributions	7,500	
390	Other Financing Sources	1,281,815	
Total Revenues and Other Financing Sources		4,497,186	1,211,173
Total Resources		6,273,110	1,425,025
Operating Expenditures:			
510	General Government	193,471	193,471
520	Public Safety	355,185	355,185
530	Physical Environment	1,328,466	467,262
540	Transportation	265,317	
550	Economic Environment	52,018	21,479
560	Mental and Physical Health	0	
570	Culture and Recreational	139,476	134,631
Total Operating Expenditures		2,333,933	1,172,028
591-593	Debt Service	398,352	
594-595	Capital Expenditures	316,812	828
598	Other Expenditures	0	
Total Expenditures		3,049,097	1,172,856
596-599	Other Financing Uses	677,054	41,858
Total Expenditures and Other Financing Uses		3,726,151	1,214,714
Excess (Deficit) of Resources Over Uses		2,546,959	210,311
380	Nonrevenues (Except 384)	97,855	51,100
580	Nonexpenditures (Except 584)	775,307	32,229
Ending Cash and Investments:			
508.10	Reserved	398,179	
508.80	Unreserved	1,471,328	229,182

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF DAYTON

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		101 Cemetery	102 Historic Pathway	103 City Street & Road
Beginning Cash and Investments				
308.10	Reserved			
308.80	Unreserved	26,924	0	96,899
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes			210,226
320	Licenses and Permits			621
330	Intergovernmental			158,390
340	Charges for Goods and Services	27,437		9,663
350	Fines and Penalties			
360	Miscellaneous	31,552	6	3,945
370	Capital Contributions			
390	Other Financing Sources	41,333		
Total Revenues and Other Financing Sources		100,322	6	382,844
Total Resources		127,247	6	479,743
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment	103,311		
540	Transportation			265,317
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational			
Total Operating Expenditures		103,311	0	265,317
591-593	Debt Service			1,567
594-595	Capital Expenditures			136,827
598	Other Expenditures			
Total Expenditures		103,311	0	403,711
596-599	Other Financing Uses			15,000
Total Expenditures and Other Financing Uses		103,311	0	418,711
Excess (Deficit) of Resources Over Uses		23,936	6	61,032
380	Nonrevenues (Except 384)			46,755
580	Nonexpenditures (Except 584)			27,218
Ending Cash and Investments:				
508.10	Reserved			
508.80	Unreserved	23,936	6	80,569

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF DAYTON

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		104 Library	105 CE Cum. Reserve	106 Hotel/Motel Ex. Tax
Beginning Cash and Investments				
308.10	Reserved			
308.80	Unreserved	1,489	40,013	8,744
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes		15,070	27,614
320	Licenses and Permits			
330	Intergovernmental			
340	Charges for Goods and Services			
350	Fines and Penalties			
360	Miscellaneous	3,019	64	7
370	Capital Contributions			
390	Other Financing Sources			
Total Revenues and Other Financing Sources		3,019	15,134	27,621
Total Resources		4,508	55,147	36,366
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment			
540	Transportation			
550	Economic Environment			30,538
560	Mental and Physical Health			
570	Culture and Recreational	3,017		
Total Operating Expenditures		3,017	0	30,538
591-593	Debt Service			
594-595	Capital Expenditures		18,500	
598	Other Expenditures			
Total Expenditures		3,017	18,500	30,538
596-599	Other Financing Uses			
Total Expenditures and Other Financing Uses		3,017	18,500	30,538
Excess (Deficit) of Resources Over Uses		1,490	36,647	5,827
380	Nonrevenues (Except 384)			
580	Nonexpenditures (Except 584)			
Ending Cash and Investments:				
508.10	Reserved			
508.80	Unreserved	1,490	36,647	5,827

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF DAYTON

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		107 Delany Bldg. Cum.	401 Sewer Revenue	402 Sewer Cum. Res.
Beginning Cash and Investments				
308.10	Reserved			
308.80	Unreserved	4,597	98,882	7,025
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes		158	
320	Licenses and Permits			
330	Intergovernmental			
340	Charges for Goods and Services		758,606	
350	Fines and Penalties			
360	Miscellaneous	1,832	167	
370	Capital Contributions			3,750
390	Other Financing Sources			
Total Revenues and Other Financing Sources		1,832	758,930	3,750
Total Resources		6,428	857,813	10,775
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment		321,488	
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational	1,828		
Total Operating Expenditures		1,828	321,488	0
591-593	Debt Service		1,099	
594-595	Capital Expenditures		15,488	
598	Other Expenditures			
Total Expenditures		1,828	338,075	0
596-599	Other Financing Uses		337,421	
Total Expenditures and Other Financing Uses		1,828	675,496	0
Excess (Deficit) of Resources Over Uses		4,600	182,317	10,775
380	Nonrevenues (Except 384)			
580	Nonexpenditures (Except 584)		40,277	
Ending Cash and Investments:				
508.10	Reserved			
508.80	Unreserved	4,600	142,039	10,775

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF DAYTON

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		403	404	413
		Water Revenue	Water Cum. Res.	W/S Bond Res.
Beginning Cash and Investments				
308.10	Reserved			\$398,179
308.80	Unreserved	154,022	221,341	
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes	536		
320	Licenses and Permits			
330	Intergovernmental			
340	Charges for Goods and Services	722,485		
350	Fines and Penalties	23,961		
360	Miscellaneous	197	257	
370	Capital Contributions		3,750	
390	Other Financing Sources		30,960	
Total Revenues and Other Financing Sources		747,178	34,967	0
Total Resources		901,201	256,308	398,179
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment	436,406		
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational			
Total Operating Expenditures		436,406	0	0
591-593	Debt Service			
594-595	Capital Expenditures		73,955	
598	Other Expenditures			
Total Expenditures		436,406	73,955	0
596-599	Other Financing Uses	282,775		
Total Expenditures and Other Financing Uses		719,181	73,955	0
Excess (Deficit) of Resources Over Uses		182,020	182,353	398,179
380	Nonrevenues (Except 384)			
580	Nonexpenditures (Except 584)			
Ending Cash and Investments:				
508.10	Reserved			398,179
508.80	Unreserved	182,020	182,353	

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF DAYTON

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		414 W/S Bond	420 W/S Syst. Loan Repay.	501 Equip. Replace.
Beginning Cash and Investments				
308.10	Reserved			
308.80	Unreserved	71,687	99,364	80,927
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes			
320	Licenses and Permits			
330	Intergovernmental			
340	Charges for Goods and Services			
350	Fines and Penalties			
360	Miscellaneous	195	132	117
370	Capital Contributions			
390	Other Financing Sources	338,064	238,368	28,329
Total Revenues and Other Financing Sources		338,259	238,500	28,446
Total Resources		409,946	337,864	109,373
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment			
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational			
Total Operating Expenditures		0	0	0
591-593	Debt Service	174,342	23,501	
594-595	Capital Expenditures			35,607
598	Other Expenditures			
Total Expenditures		174,342	23,501	35,607
596-599	Other Financing Uses			
Total Expenditures and Other Financing Uses		174,342	23,501	35,607
Excess (Deficit) of Resources Over Uses		235,604	314,363	73,766
380	Nonrevenues (Except 384)			
580	Nonexpenditures (Except 584)	141,610	196,181	
Ending Cash and Investments:				
508.10	Reserved			
508.80	Unreserved	93,994	118,182	73,766

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	601 Cemetery Endowment Care	602 Library Endowment	603 Dayton Historic Pathway Endowment Fund
308	Beginning Cash and Investments	499,785	321,840	168,943	9,002
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	1,250	1,250	0	0
380-390	Other Increases and Financing Sources	44,914	44,914	0	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	0	0	0	0
	Increase (Decrease) in Cash and Investments	46,164	46,164	0	0
508	Ending Cash and Investments	545,949	368,004	168,943	9,002

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	601 Cemetery Endowment Care	602 Library Endowment	603 Dayton Historic Pathway Endowment Fund
308	Beginning Cash and Investments	455,339	277,395	168,943	9,002
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	1,050	1,050	0	0
370-390	Other Increases and Financing Sources	43,395	43,395	0	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	0	0	0	0
	Increase (Decrease) in Cash and Investments	44,445	44,445	0	0
508	Ending Cash and Investments	499,784	321,840	168,943	9,002

The accompanying notes are an integral part of this Statement.

CITY OF DAYTON

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

	Total for All Fiduciary Funds	601 Cemetery End.	602 Library End.
Beginning Cash and Investments	\$484,746	\$306,803	\$168,943
Prior Period Adjustments	0		
Revenue and Other Financing Sources	952	950	
Total Resources	485,698	307,753	168,943
Expenditures And Other Financing Uses	0		
Excess (Deficit) of Resources Over Uses	485,698	307,753	168,943
Nonrevenues (Except 384)	67,496	67,496	
Nonexpenditures (Except 584)	97,855	97,855	
Ending Cash and Investments	455,339	277,394	168,943

The Accompanying Notes Are An Integral Part Of This Statement.

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CITY OF DAYTON
FUND RESOURCES AND USES
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

	603
	D. Historic Path. End.
Beginning Cash and Investments	\$9,000
Prior Period Adjustments	
Revenue and Other Financing Sources	2
Total Resources	9,002
Expenditures And Other Financing Uses	
Excess (Deficit) of Resources Over Uses	9,002
Nonrevenues (Except 384)	
Nonexpenditures (Except 584)	
Ending Cash and Investments	9,002

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF DAYTON
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2013 through DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City was incorporated in 1882 and operates under the laws of the State of Washington applicable to an Optional Municipal Code City with Mayor-Council form of government. The City is a general-purpose government and provides public safety, water and wastewater services, solid waste collection, cemetery services, street maintenance and improvements, park and recreation activities such as a public parks and a municipal swimming pool, and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City 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 City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types and account groups used by the City:

GOVERNMENTAL FUND-TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City.

Debt Service Funds

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.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the City of Dayton holds for others in an agency capacity.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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 years' 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.

a. Budgets

The City adopts annual appropriated budgets for all funds with the exception of Claims and Payroll Clearing Funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted budgets for 2013 were as follows:

<u>Fund No.</u>	<u>FUND</u>	<u>Final Appropriated Amount(s)</u>	<u>Actual Expenditures/ Non- Expenditures</u>	<u>Variance</u>
001	CURRENT EXPENSE	\$ 1,346,600	\$ 1,261,899	\$ 84,422
101	CEMETERY	\$ 90,800	\$ 69,823	\$ 20,977
103	CITY STREET & ROAD	\$ 438,000	\$ 355,103	\$ 82,897
104	LIBRARY	\$ 4,000	\$ 3,570	\$ 419
105	C.E. CUMULATIVE RESERVE	\$ 68,500	\$ 2,947	\$ 65,553
106	MOTEL/HOTEL EXCISE TAX	\$ 31,300	\$ 28,481	\$ 2,819
107	DELANY	\$ 4,500	\$ 1,865	\$ 2,635
401	SEWER REVENUE	\$ 856,500	\$ 745,298	\$ 111,202
402	SEWER CUMULATIVE RESERVE	\$ 132,600	\$ 29,170	\$ 103,430
403	WATER REVENUE	\$ 836,500	\$ 772,983	\$ 63,483
404	WATER CUMULATIVE RESERVE	\$ 356,400	\$ 128,600	\$ 227,800
413	W & S SYSTEM DEBT RESERVE	\$ 398,100	\$ -	\$ 398,100
414	W & S SYSTEM DEBT SERVICE	\$ 431,000	\$ 323,602	\$ 107,398
420	W or S LOAN REPAYMENT	\$ 332,700	\$ 215,628	\$ 117,072
501	EQUIPMENT REPAIR/REPLACEMENT	\$ 118,200	\$ 51,474	\$ 66,726
601	CEMETERY ENDOWMENT	\$ 499,100	\$ -	\$ 499,100
602	LIBRARY ENDOWMENT	\$ 168,900	\$ -	\$ 168,900
603	PATHWAY ENDOWMENT	\$ 9,000	\$ -	\$ 9,000
	TOTAL 2013 BUDGET	\$ 6,122,700	\$ 3,962,664	\$2,160,036

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 City's legislative body.

b. Cash

It is the City's policy to invest 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.

c. Deposits

The City's deposit and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

d. Investments See Note 3

e. Capital Assets

Capital assets are assets of the City with an estimated life in excess in one (1) year and are recorded as expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 240 hours except under unusual circumstances. Up to 240 hours is payable upon separation or retirement.

Sick leave may be accumulated up to 120 days. Employees hired prior to January 1, 2004, upon retirement or death of a City employee after five years of service with the City, the employee shall be paid fifty percent (50%) of all accrued sick leave, not to exceed 45-days. Employees hired after January 1, 2004, upon retirement or death of a City employee after five-years of service with the City, the employee shall be eligible to be paid twenty-five percent (25%) of all accrued sick leave, not to exceed 45 days.

Non-contractual regular employees may, under the discretion of the Mayor, select merit vacation instead of merit pay equal to the total gross amount of the merit increase not to exceed three percent (3%) annually. Merit vacation must be used prior to the use of regular vacation. Upon the separation of a con-contractual regular employee, the employee shall be eligible to be paid accrued merit vacation.

All non-contractual and contractual regular employees are entitled to specific paid holidays, including floating holidays and one Council Discretionary holiday.

I. Long-Term Debt See Note 6, *Debt Service Requirement*.

j. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consists of operating transfers-in, operating transfers-out, proceeds from the sale of fixed assets and proceeds of refunding long-term debt.

k. Risk Management

The City is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2013, there were 236 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, is included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of \$3,247,000, to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 of the deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500 (\$10,000 for Pumps and Motors). Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2013, were \$1,423,059.12.

I. Reserved Fund Balance

The City has external restrictions on balances within three funds, Water and Sewer Bond Reserve, Library Endowment and Dayton Historic Pathway Endowment Funds. The Water and Sewer Bond Reserve Fund totals \$398,179 and its limitations were imposed by Water and Sewer Revenue Bond covenants. The Library Endowment, \$168,943, and Dayton Historic Pathway Funds, \$9,002, have been restricted by ordinance; the principal portion must remain intact.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City of Dayton.

NOTE 3 – INVESTMENTS

The City’s investments are either insured, registered, or held by the City or its agent in the City’s name.

Investments are presented at cost.

Investments by type as of December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>City's Investments</u>	<u>Investments held by City as an agent for other Organizations</u>	<u>Total</u>
U.S. Government Securities	\$ 844,903	\$ -	\$ 844,903
Public Investment Accounts	\$ 1,164,742	\$ -	\$ 1,164,742
Total	\$ 2,009,645	\$ -	\$ 2,009,645

NOTE 4 – PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The City’s regular levy for the year 2013 was \$2.318703 per \$1,000 on assessed valuation of \$145,575,873 for a total levy of \$337,547.32.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays inter-fund loan activity during 2013:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 01/01/2013</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2013</u>
Street	Cemetery Endowment	\$ 59,202	\$ -	\$ 27,887	\$ 31,315
Current Expense	Cemetery Endowment	\$ 34,649	\$ -	\$ 17,027	\$ 17,622
	Totals	\$ 93,851	\$ -	\$ 44,914	\$ 48,937

NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for year ended December 31, 2013.

The debt service requirements for revenue bonds, notes payable and loans and other payments to other governments including both principle and interest are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2013	\$ -	\$ 524,908	\$ 14,322	\$ 539,230
2014	\$ -	\$ 493,830	\$ 14,322	\$ 508,152
2015	\$ -	\$ 488,503	\$ 14,322	\$ 502,825
2016	\$ -	\$ 492,626	\$ 14,322	\$ 506,948
2017	\$ -	\$ 490,799	\$ 14,322	\$ 505,121
2018-2022	\$ -	\$ 2,342,727	\$ 71,611	\$ 2,414,337
<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2023-2027	\$ -	\$ 816,491	\$ -	\$ 816,491
2028-2032	\$ -	\$ 476,460	\$ -	\$ 476,460
2033-2034	\$ -	\$ 190,584	\$ -	\$ 190,584
TOTALS	<u>\$ -</u>	<u>\$ 6,316,928</u>	<u>\$ 143,221</u>	<u>\$ 6,460,149</u>

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in the Public Employees’ Retirement System (PERS) administered by the Washington State Department of Retirement Systems; under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the system by both employee and the employer are based upon gross wages covered by plan benefits.

Historical trend 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 obtained by writing to:

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

NOTE 8 - OTHER DISCLOSURES

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical with prescription co-payment obligations and long-term care services. Two retirees received benefits during the year and \$36,738 was paid out for those benefits during the year.

Subsequent Events

On June 9, 2014, the City Council formally divested all responsibilities associated with solid waste (garbage) collection services. All responsibilities were transferred to the City's solidwaste collection company, Basin Disposal, Inc., effective August 1, 2014.

CITY OF DAYTON
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2012 through DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Dayton was incorporated in 1882 and operates under the laws of the State of Washington applicable to an Optional Municipal Code City with Mayor-Council form of government. The City is a general-purpose government and provides public safety, water and wastewater services, solid waste collection, cemetery services, street maintenance and improvements, park and recreation activities such as a public park and municipal swimming pool, and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Dayton 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 City’s resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types and account groups used by the City of Dayton:

GOVERNMENTAL FUND-TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Debt Service Funds

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.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the City of Dayton holds for others in an agency capacity.

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 years' 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.

a. Budgets

The City adopts annual appropriated budgets for all funds with the exception of Claims and Payroll Clearing Funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted budgets for 2012 were as follows:

<u>Fund No</u>	<u>Fund Name</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures/Non-Expenditures</u>	<u>Variance</u>
001	CURRENT EXPENSE	\$ 1,332,400	\$ 1,183,290	\$ 149,110
101	CEMETERY	\$ 105,700	\$ 82,201	\$ 23,499
103	CITY STREET & ROAD	\$ 326,100	\$ 235,171	\$ 90,929
104	LIBRARY	\$ 9,000	\$ 3,228	\$ 5,772
105	C.E. CUMULATIVE RESERVE	\$ 42,600	\$ 1,789	\$ 40,811
106	MOTEL/HOTEL EXCISE TAX	\$ 32,800	\$ 22,349	\$ 10,451
107	DELANY	\$ 5,400	\$ 1,790	\$ 3,610
401	SEWER REVENUE	\$ 916,200	\$ 810,379	\$ 105,821
402	SEWER CUMULATIVE RESERVE	\$ 115,000	\$ 27,595	\$ 87,405
403	WATER REVENUE	\$ 886,500	\$ 810,798	\$ 75,702
404	WATER CUMULATIVE RESERVE	\$ 204,900	\$ 25,800	\$ 179,100
413	W & S SYSTEM DEBT RESERVE	\$ 398,100	\$ -	\$ 398,100
414	W & S SYSTEM DEBT SERVICE	\$ 411,400	\$ 317,352	\$ 94,048
420	W or S LOAN REPAYMENT	\$ 334,800	\$ 217,655	\$ 117,145
501	EQUIPMENT REPAIR/REPLACEMENT	\$ 105,900	\$ -	\$ 105,900
601	CEMETERY ENDOWMENT	\$ 454,000	\$ -	\$ 454,000
602	LIBRARY ENDOWMENT	\$ 168,900	\$ -	\$ 168,900
603	PATHWAY ENDOWMENT	\$ 9,000	\$ -	\$ 9,000
	Total All Funds	\$ 5,858,700	\$ 3,739,398	\$2,119,302

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 City's legislative body.

b. Cash

It is the City's policy to invest 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.

c. Deposits

The City's deposit and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

d. Investments See Note 3

e. Capital Assets

Capital assets are assets of the City with an estimated life in excess in one (1) year and are recorded as expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 240 hours except under unusual circumstances. Up to 240 hours is payable upon separation or retirement.

Sick leave may be accumulated up to 120 days. Employees hired prior to January 1, 2004, upon retirement or death of a City employee after five years of service with the City, the employee shall be paid fifty percent (50%) of all accrued sick leave, not to exceed 45-days. Employees hired after January 1, 2004, upon retirement or death of a City employee after five years of service with the City, the employee shall be eligible to be paid twenty-five percent (25%) of all accrued sick leave, not to exceed 45 days.

Non-contractual regular employees may, under the discretion of the Mayor, select merit vacation instead of merit pay equal to the total gross amount of the merit increase not to exceed three percent (3%) annually. Merit vacation must be used prior to the use of regular vacation. Upon the separation of a non-contractual regular employee, the employee shall be eligible to be paid accrued merit vacation.

All non-contractual and contractual regular employees are entitled to specific paid holidays, including floating holidays and one Council Discretionary holiday.

l. Long-Term Debt See Note 6, *Debt Service Requirement*.

j. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consists of operating transfers-in, operating transfers-out, proceeds from the sale of fixed assets and proceeds of refunding long-term debt.

k. Risk Management

The City is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2012, there were 240 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, is included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$2,815,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 of the deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and

administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2012, were \$1,099,472.

I. Reserved Fund Balance

The City has external restrictions on balances within three funds, Water and Sewer Bond Reserve, Library Endowment and Dayton Historic Pathway Endowment Funds. The Water and Sewer Bond Reserve Fund totals \$398,179 and its limitations were imposed by Water and Sewer Revenue Bond covenants. The Library Endowment, \$168,943, and Dayton Historic Pathway Funds, \$9,002, have been restricted by ordinance; the principal portion must remain intact.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City of Dayton.

NOTE 3 – INVESTMENTS

The City’s investments are either insured, registered, or held by the City or its agent in the City’s name.

Investments are presented at cost.

Investments by type as of December 31, 2012 are as follows:

Type of <u>Investment</u>	City's <u>Investments</u>	Investments held by City as an agent for other <u>Organizations</u>	<u>Total</u>
U.S. Government Securities	\$668,759	\$ -	\$668,759
Public Investment Accounts	\$1,324,327	\$ -	\$1,324,327
Total	\$1,993,087	\$ -	\$1,993,087

NOTE 4 – PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The City's regular levy for the year 2012 was \$2.302654 per \$1,000 on assessed valuation of \$144,336,860 for a total levy of \$332,357.89.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays inter-fund loan activity during 2012:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 01/01/2012</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2012</u>
Street	Cemetery Endowment	\$ 86,146	\$ -	\$ 26,944	\$ 59,202
Current Expense	Cemetery Endowment	\$ 51,100	\$ -	\$ 16,451	\$ 34,649
	Totals	\$ 137,246	\$ -	\$ 43,395	\$ 93,851

NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2012.

The debt service requirements for revenue bonds, notes payable and loans and other payments to other governments including both principle and interest, are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2012	\$ -	\$ 520,685	\$ 14,322	\$ 535,007
2013	\$ -	\$ 524,908	\$ 14,322	\$ 539,230
2014	\$ -	\$ 493,830	\$ 14,322	\$ 508,152
2015	\$ -	\$ 488,503	\$ 14,322	\$ 502,825
2016	\$ -	\$ 492,626	\$ 14,322	\$ 506,948
2017-2034	\$ -	\$ 4,317,061	\$ 85,933	\$ 4,402,993
TOTALS	\$ -	\$ 6,837,612	\$ 157,544	\$ 6,995,156

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) administered by the Washington State Department of Retirement Systems; under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the system by both employee and the employer are based upon gross wages covered by plan benefits.

Historical trend 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 obtained by writing to:

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

OTHER DISCLOSURES

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical with prescription co-payment obligations and long-term care services. Three retirees received benefits during the year and \$48,923 was paid out for those benefits during the year.

**CITY OF DAYTON
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2011 through DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Dayton was incorporated in 1882 and operates under the laws of the State of Washington applicable to an Optional Municipal Code City with Mayor-Council form of government. The City is a general-purpose government and provides public safety, water and wastewater services, solid waste collection, street maintenance and improvements, park and recreation activities such as a public park and municipal swimming pool, and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Dayton 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 City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types and account groups used by the City of Dayton:

GOVERNMENTAL FUND-TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Debt Service Funds

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.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the City of Dayton holds for others in an agency capacity.

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 years' 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.

a. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund No.	Fund Name	Final Appropriated Amounts	Actual Expenditures/Non-Expenditures	Variance
001	CURRENT EXPENSE	\$ 1,428,400	\$ 1,246,943	\$ 181,457
101	CEMETERY	\$ 107,575	\$ 103,311	\$ 4,264
103	CITY STREET & ROAD	\$ 568,500	\$ 445,930	\$ 122,570
104	LIBRARY	\$ 7,500	\$ 3,017	\$ 4,483
105	C.E. CUMULATIVE RESERVE	\$ 41,000	\$ 18,500	\$ 22,500
106	MOTEL/HOTEL EXCISE TAX	\$ 35,000	\$ 30,538	\$ 4,462
107	DELANY	\$ 6,400	\$ 1,828	\$ 4,572
401	SEWER REVENUE	\$ 829,600	\$ 715,773	\$ 113,827
402	SEWER CUMULATIVE RESERVE	\$ 7,000	\$ -	\$ 7,000
403	WATER REVENUE	\$ 856,500	\$ 719,181	\$ 137,319
404	WATER CUMULATIVE RESERVE	\$ 240,950	\$ 73,955	\$ 166,995
413	W & S SYSTEM DEBT RESERVE	\$ 398,100	\$ -	\$ 398,100
414	W & S SYSTEM DEBT SERVICE	\$ 386,300	\$ 315,952	\$ 70,348
420	W or S LOAN REPAYMENT	\$ 333,320	\$ 219,682	\$ 113,638
501	EQUIPMENT REPAIR/REPLACEMENT	\$ 93,800	\$ 35,607	\$ 58,193
601	CEMETERY ENDOWMENT	\$ 416,000	\$ 97,855	\$ 318,145
602	LIBRARY ENDOWMENT	\$ 168,900	\$ -	\$ 168,900
603	PATHWAY ENDOWMENT	\$ 9,000	\$ -	\$ 9,000
	Total All Funds	\$ 5,933,845	\$ 4,028,072	\$1,905,773

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 City's legislative body.

b. Cash

It is the City'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.

c. Deposits

The City's deposit and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

d. Investments See Note 3

e. Capital Assets

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 240 hours except under unusual circumstances. Up to 240 hours is payable upon separation or retirement.

Sick leave may be accumulated up to 120 days. Employees hired prior to January 1, 2004, upon retirement or death of a City employee after five years of service with the City, the employee shall be paid fifty percent (50%) of all accrued sick leave, not to exceed 45-days. Employees hired after January 1, 2004, upon retirement or death of a City employee after five years of service with the City, the employee shall be eligible to be paid twenty-five percent (25%) of all accrued sick leave, not to exceed 45 days.

Non-contractual regular employees may, under the discretion of the Mayor, select merit vacation instead of merit pay equal to the total gross amount of the merit increase not to exceed three percent (3%) annually. Merit vacation must be used prior to the use of regular vacation. Upon the separation of a con-contractual regular employee, the employee shall be eligible to be paid accrued merit vacation.

All non-contractual and contractual regular employees are entitled to specific paid holidays, including floating holidays.

l. Long-Term Debt See Note 6

j. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consists of operating transfers-in, operating transfers-out, proceeds from the sale of fixed assets and proceeds of refunding long-term debt.

k. Risk Management

The City is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2011, there were 254 members in the pool.

The pool provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, is included to fit members' various needs.

The pool acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance

carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the self-insured retention. The pool also purchases a Stop Loss Policy in the amount of \$2,545,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 of the deductible for each claim. The pool bears the \$25,000 self-insured retention in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no pool self insured retention on this coverage.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including underwriting, brokerage, account education, risk management and loss control, and claims administration.

I. Reserved Fund Balance

The City has external restrictions on balances within three funds, Water and Sewer Bond Reserve, Library Endowment and Dayton Historic Pathway Endowment Funds. The Water and Sewer Bond Reserve Fund totals \$398,179 and its limitations were imposed by Water and Sewer Revenue Bond covenants. The Library Endowment, \$168,943, and Dayton Historic Pathway Funds, \$9002, have been restricted by ordinance; the principal portion must remain intact.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City of Dayton.

NOTE 3 – INVESTMENTS

The City's investments are insured, registered, or held by the City or its agent in the City's name.

Investments are presented at cost.

Investments by type as of December 31, 2011:

Type of Investment	City's Investments	Investments held by City as an agent for other Organizations	Total
Certificate of Deposits	\$ 567,122	\$ -	\$ 567,122
Public Investment Accounts	\$ 1,408,648	\$ -	\$ 1,408,648
Total	\$ 1,975,770	\$ -	\$ 1,975,770

NOTE 4 – PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The City's regular levy for the year 2011 was \$2.307743 per \$1,000 on assessed valuation of \$143,779,226 for a total levy of \$331,806.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays inter-fund loan activity during fiscal year 2011:

Borrowing Fund	Lending Fund	Balance	New Loans	Repayments	Balance
		1/1/2011			12/31/2011
Sewer	Cemetery Endowment	\$ 40,277	\$ -	\$ 40,277	\$ -
Street	Cemetery Endowment	\$ 65,619	\$ 48,950	\$ 27,218	\$ 87,351
Current Expense	Cemetery Endowment	\$ -	\$ 51,100	\$ -	\$ 51,100
	Totals	\$105,896	\$100,050	\$ 67,495	\$ 138,451

NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City and summarizes the City’s debt transactions for fiscal year 2011. The debt service payments for the fiscal year being reported and future payment requirements including interest are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2011	\$ -	\$ 521,311.90	\$ 14,322.14	\$ 535,634.04
2012	\$ -	\$ 520,684.71	\$ 14,322.14	\$ 535,006.85
2013	\$ -	\$ 524,907.51	\$ 14,322.14	\$ 539,229.65
2014	\$ -	\$ 493,830.34	\$ 14,322.14	\$ 508,152.48
2015		\$ 488,503.14	\$ 14,322.14	\$ 502,825.28
2016		\$ 492,625.97	\$ 14,322.14	\$ 506,948.11
2017-2034	\$ -	\$ 4,317,060.59	\$ 85,932.84	\$,402,993.43
TOTALS	\$ -	\$ 7,358,924.16	\$ 71,865.68	\$,530,789.84

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in the Public Employees’ Retirement System (PERS) administered by the Washington State Department of Retirement Systems; under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the system by both employee and the employer are based upon gross wages covered by plan benefits.

Historical trend 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 obtained by writing to:

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

OTHER DISCLOSURES

OPEB

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include medical with prescription co-payment obligations and long-term care services. Three retirees received benefits during the year and \$44,469 was paid out for those benefits during the year.

City of Dayton
 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							
	259.11	Compensated Absences	12/31/2013	129,387	8,545	0	137,932
		Total General Obligations:		129,387	8,545	0	137,932
Revenue Obligations							
	252.11	Bank of New York	12/1/2013	967,875	0	58,725	909,150
	252.11	Bank of New York	12/1/2013	1,257,125	0	76,275	1,180,850
	252.11	United States Department of Agriculture	2/25/2013	238,377	0	3,636	234,741
	252.11	United States Department of Agriculture	10/27/2013	1,368,445	0	19,945	1,348,500
	263.62	Sterling Bank	3/15/2013	110,364	0	8,794	101,570
	263.82	Public Works Board	7/1/2013	82,894	0	16,579	66,315
	263.82	Public Works Board	7/1/2013	234,650	0	26,072	208,578
	263.82	Public Works Board	7/1/2013	109,707	0	10,971	98,736
	263.82	Public Works Board	7/1/2013	807,500	0	134,583	672,917
		Total Revenue Obligations:		5,176,937	0	355,581	4,821,356
		Total Liabilities:		5,306,324	8,545	355,581	4,959,288

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

City of Dayton
 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							
	259.11	Compensated Absences	12/31/2012	115,811	13,576	0	129,387
Total General Obligations:				115,811	13,576	0	129,387
Revenue Obligations							
	252.11	Revenue bonds nonvoted	12/1/2012	2,350,000	0	125,000	2,225,000
	252.11	Revenue bonds nonvoted	2/25/2012	241,865	0	3,488	238,377
	252.11	Revenue bonds nonvoted	10/27/2013	1,387,531	0	19,086	1,368,445
	263.62	Notes Payable	3/15/2012	118,724	0	8,359	110,365
	263.82	Loans and other payments to other governments	7/1/2012	99,473	0	16,579	82,894
	263.82	Loans and other payments to other governments	7/1/2012	260,722	0	26,072	234,650
	263.82	Loans and other payments to other governments	7/1/2012	120,678	0	10,971	109,707
	263.82	Loans and other payments to other governments	7/1/2012	942,084	0	134,583	807,501
Total Revenue Obligations:				5,521,077	0	344,139	5,176,938
Total Liabilities:				5,636,888	13,576	344,139	5,306,325

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

City of Dayton
 Schedule of Liabilities
 For the year ended December 31, 2011

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2011	Additions	Reductions	Ending Balance December 31, 2011
General Obligations							
	259.11	Compensated Absences	12/31/2011	117,343	0	1,531	115,812
Total General Obligations:				117,343	0	1,531	115,812
Revenue Obligations							
	252.11	Revenue Bonds Non-voted	12/1/2011	2,470,000	0	120,000	2,350,000
	252.11	Revenue Bonds Non-voted	2/25/2011	245,210	0	3,346	241,864
	252.11	Revenue Bonds Non-voted	10/27/2011	1,405,796	0	18,264	1,387,532
	263.62	Notes Payable	3/15/2011	126,700	0	7,976	118,724
	263.82	Public Works Board	7/1/2011	116,052	0	16,579	99,473
	263.82	Public Works Board	7/1/2011	286,794	0	26,072	260,722
	263.82	Public Works Board	7/1/2011	131,649	0	10,971	120,678
	263.82	Public Works Board	7/1/2011	1,076,667	0	134,583	942,084
Total Revenue Obligations:				5,858,868	0	337,791	5,521,077
Total Liabilities:				5,976,211	0	339,322	5,636,889

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

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