



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

**Financial Statements Audit Report**  
**City of Gold Bar**

**Snohomish County**

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

**Published March 13, 2017**

**Report No. 1018758**





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

March 13, 2017

Mayor and City Council  
City of Gold Bar  
Gold Bar, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**2015-001 The City's internal controls over accounting and financial reporting are not adequate to ensure financial statements are accurate and complete.**

### *Background*

City councilmembers, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. It is City Management's responsibility to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Controls must ensure that financial data is reliably authorized, processed and reported.

In 2014, the City experienced turnover in its key accounting position, the Clerk/Treasurer. The City hired an interim Clerk/Treasurer until it filled the position permanently in 2015. The new Clerk/Treasurer is knowledgeable of government operating procedures; however, they are new to the accounting responsibilities of a City.

Government Auditing Standards prescribed by the Comptroller General of the United States require the auditor to communicate material weaknesses as defined below in the Applicable Laws and Regulations section as a finding.

### *Description of Condition*

We identified the following weaknesses in internal controls that, when taken together, represent a material weakness:

- City staff responsible for reporting amounts in the financial statements and compiling the footnotes lacked the technical knowledge to ensure they were prepared in accordance with the *Budgeting, Accounting and Reporting System (BARS) Manual*.
- The City did not have controls in place to ensure new accounting standards were identified and properly implemented.

We also identified the following weaknesses in internal controls over accounting and financial reporting that, when taken together, represent a significant deficiency:

- The City did not have adequate internal controls to ensure that compensated absence calculations tied to supporting documentation to

ensure existence of all balances as well as classification of balances in accordance with the BARS Manual.

- The City does not have a formal control in place to identify related-party transactions.
- The City did not ensure a secondary review over journal entries occurred for all journal entries made during the year.

### ***Cause of Condition***

The City was not aware of the requirement to implement pension reporting changes as required by the *Budgeting, Accounting and Reporting System (BARS) Manual* during fiscal year 2015 and omitted its net pension liability, which is required to be reported on the City's supplementary information (Schedule 09). The City did not allocate adequate resources to the preparation and review of the financial statements, notes and supporting schedules presented for audit. Due to staff turnover, the City did not provide sufficient training to those responsible for preparing the financial statements. While the City performed a documented review over the financial statement package, we noted that individuals responsible for reviewing did not receive adequate training and resources needed to ensure financial statements were free from material errors.

### ***Effect of Condition***

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies, and other interested parties. It also hinders the audit process and increases audit costs.

The following error represents a material weakness:

- The City omitted a \$154,711 net pension liability, required by the *Budgeting, Accounting and Reporting System (BARS) Manual*, from its reporting on the fiscal year 2015 supplementary information (Schedule 09), which resulted in a material error. Once the error was brought to the Clerk/Treasurer's attention, the error was researched and promptly corrected.

Additionally, we identified the following issues due to a significant deficiency in internal controls:

- The City's compensated absence balance did not tie to supporting documentation and a portion was incorrectly classified as General Obligation Debt/Liabilities on the City's supplementary information

(Schedule 09). In total, the City's ending compensated absences balance was overstated by \$21,250.

- The City omitted its joint venture relationship with Snohomish County Public Auxiliary Communication Agency (SNOPAC) from its notes to the financial statements.
- Our audit noted that the Mayor reviewed only two of the 14 journal entries that were made during fiscal year 2015.

### ***Recommendation***

We recommend the City:

- Provide adequate training for employees responsible for compiling the financial statements and notes
- Develop internal controls to ensure that adequate review over financial statement preparation is performed by individuals who are knowledgeable of financial reporting and accounting standards. Specifically, we recommend that the City regularly review the BARS Manual on an annual basis to ensure compliance with future reporting requirements.
- Develop internal controls to ensure that compensated absence calculations tie to supporting documentation and are classified in accordance with the BARS Manual
- Develop internal controls to identify related-party transactions and ensure adequate disclosure of such transactions in its annual report
- Ensure a documented secondary review occurs for all journal entries

### ***City's Response***

*Condition: 'City staff responsible for reporting amounts in the financial statements and compiling the footnotes lacked the technical knowledge to ensure they were prepared in accordance with the Budgeting, Accounting and Reporting System (BARS) Manual' and 'The City did not have controls in place to ensure new accounting standards were identified and properly implemented.'*

*Response: These conditions were directly related to changes to Schedule 9 which reports net pension liability. The City received notification of these changes after 2015 financial statements had been submitted, and it was not clear that changes had to be implemented retroactively. As noted in the Auditor's report, the clerk/treasurer corrected this issue with assistance by the auditor. The condition will not be repeated as the process for the schedule is now in place. Additionally,*

*regarding ensuring new accounting standards are identified and implemented, the clerk/treasurer will regularly check the State Auditor's website for changes (since email notifications are not reliable) and receive further training.*

*Condition: 'The City did not have adequate internal controls to ensure that compensated absence calculations tied to supporting documentation to ensure existence of all balances as well as classification of balances in accordance with the BARS Manual.'*

*Response: This condition also ties directly to Schedule 9 and has been corrected as noted in the response above.*

*Condition: 'The City does not have a formal control in place to identify related-party transactions.'*

*Response: During the audit of 2014, the auditors identified one potential related party, which the clerk/treasurer disclosed in the financial notes. During the 2015 audit review, the auditor felt that entity was not actually a related party and identified another entity as a related party. The clerk/treasurer then revised the financial notes based on that auditor's recommendation. After research by the clerk/treasurer, it appears both entities are related parties. The 2016 financial notes will address these parties.*

*Condition: 'The City did not ensure a secondary review over journal entries occurred for all journal entries made during the year.'*

*Response: This was due to staff turnover as well as changes in the Mayor's position. It is not anticipated that this condition will continue. The clerk/treasurer obtains review and signatures from the Mayor for all clerk/treasurer journal entries. In instances where the Mayor may not be available, the clerk/treasurer will ensure review and signatures are obtained from the Office Manager.*

*In conclusion:*

*Regarding recommendations listed in the report, the City will provide adequate trainings for all staff, regularly review the BARS Manual by directly visiting the State Auditor's website rather than relying on email notifications from the Auditor, continue reporting the amended Schedule 9 related to compensated absence calculations, continue to report on related party transactions, and continue requiring a secondary review process for journal entries.*

### *Auditor's Remarks*

We appreciate the City's commitment to resolving the issues and improving current year processes. We will review the condition during our next audit.

### *Applicable Laws and Regulations*

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

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

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

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

Deficiency in 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial



statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

RCW 43.09.200 – Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budgeting, Accounting and Reporting System (BARS) Manual – Accounting, Accounting Principles and Internal Control*, Internal Control states in part:

3.1.3.20 Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

3.1.3.30 Management and the governing body are responsible for the government’s performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as “management” throughout the rest of this section.

3.1.3.140 This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

3.1.3.150 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor’s Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
  - Only valid transactions are recorded and reported.
  - All transactions occurred during the period are recorded and reported.
  - Transactions are recorded and reported at properly valued and calculated amounts.
  - Recorded and reported transactions accurately reflect legal rights and obligations.
  - Transactions are recorded and reported in the account and fund to which they apply.
- Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

3.1.3.160 Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

The American Institute of Certified Public Accountants defines Supplementary Information in Relation to the Financial Statements as a whole in its Codification of Statements on Auditing Standards, section 725, as follows:

.07 In addition to the procedures performed during the audit of the financial statements, in order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, the auditor should perform the following procedures using the same materiality level used in the audit of the financial statements:

- a. Inquire of management about the purpose of the supplementary information and the criteria used by management to prepare the supplementary information, such as an applicable financial reporting framework, criteria established by a regulator, a contractual agreement, or other requirements
- b. Determine whether the form and content of the supplementary information complies with the applicable criteria
- c. Obtain an understanding about the methods of preparing the supplementary information and determine whether the methods of preparing the supplementary information have changed from those used in the prior period and, if the methods have changed, the reasons for such changes
- d. Compare and reconcile the supplementary information to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves
- e. Inquire of management about any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information
- f. Evaluate the appropriateness and completeness of the supplementary information, considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements (Ref: par. .A13)
- g. Obtain written representations from management

- i. that it acknowledges its responsibility for the presentation of the supplementary information in accordance with the applicable criteria;
- ii. that it believes the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria;
- iii. that the methods of measurement or presentation have not changed from those used in the prior period or, if the methods of measurement or presentation have changed, the reasons for such changes;
- iv. about any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information; and
- v. that when the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. (Ref: par. .A9)

**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 Gold Bar  
Snohomish County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Gold Bar  
Gold Bar, 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 Gold Bar, Snohomish County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 7, 2017.

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 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 audit 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.

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

*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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 to be a material weakness.

*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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 to be a significant deficiency.

## **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*.

## **CITY'S RESPONSE TO FINDINGS**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the

auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy  
State Auditor  
Olympia, WA

March 7, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Gold Bar Snohomish County January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Gold Bar  
Gold Bar, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the City of Gold Bar, Snohomish County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 20.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Gold Bar has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Gold Bar, for the year ended December 31, 2015, 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 Gold Bar, as of December 31, 2015, or the changes in financial position or cash flows for the year 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 audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 March 7, 2017 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

March 7, 2017

## **FINANCIAL SECTION**

**City of Gold Bar  
Snohomish County  
January 1, 2015 through December 31, 2015**

### **FINANCIAL STATEMENTS**

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

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2015

**City of Gold Bar**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Government</b>	<b>101 City Street</b>	<b>103 Park Impact Fee Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	249,652	-	11,083	2,100
30880	Unreserved	841,051	185,548	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	546,349	518,301	-	-
320	Licenses and Permits	36,228	36,023	205	-
330	Intergovernmental Revenues	369,890	95,471	43,898	-
340	Charges for Goods and Services	426,978	13,322	-	1,800
350	Fines and Penalties	9,757	6,251	-	-
360	Miscellaneous Revenues	126,211	301	-	-
Total Operating Revenues:		<u>1,515,413</u>	<u>669,670</u>	<u>44,103</u>	<u>1,800</u>
<b>Operating Expenditures</b>					
510	General Government	169,592	169,592	-	-
520	Public Safety	356,142	356,142	-	-
530	Utilities	455,269	-	-	-
540	Transportation	50,010	-	50,010	-
550	Natural and Economic Environment	72,319	54,061	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	11,979	11,979	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>1,115,310</u>	<u>591,773</u>	<u>50,010</u>	<u>-</u>
Net Operating Increase (Decrease):		<u>400,102</u>	<u>77,896</u>	<u>-5,907</u>	<u>1,800</u>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	15,103	500	1,646	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	48,600	-	25,000	-
Total Nonoperating Revenues:		<u>63,703</u>	<u>500</u>	<u>26,646</u>	<u>-</u>
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	12,754	12,754	-	-
591-593	Debt Service	73,366	6	-	-
594-595	Capital Expenditures	287,131	-	-	-
597	Transfers-Out	48,600	25,000	-	-
Total Nonoperating Expenditures:		<u>421,851</u>	<u>37,760</u>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b><u>41,954</u></b>	<b><u>40,636</u></b>	<b><u>20,739</u></b>	<b><u>1,800</u></b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	286,664	-	31,822	3,900
5088000	Unreserved	845,994	226,184	-	-
<b>Total Ending Cash and Investments</b>		<b><u>1,132,658</u></b>	<b><u>226,184</u></b>	<b><u>31,822</u></b>	<b><u>3,900</u></b>

The accompanying notes are an integral part of this statement.

<b>104 Street Impact Fee Fund</b>	<b>301 Capital Projects Fund</b>	<b>302 General And Street Grants Fund</b>	<b>401 Water Operating</b>	<b>410 Recycling Fund</b>	<b>415 Stormwater Fund</b>
3,300	102,428	17,187	113,554	-	-
-	-	-	556,159	47,118	52,227
-	-	-	-	-	-
-	28,048	-	-	-	-
-	-	-	-	-	-
-	-	230,520	-	-	-
-	-	-	315,672	43,872	52,312
-	-	-	3,001	-	505
-	-	-	120,166	-	5,744
-	28,048	230,520	438,840	43,872	58,561
-	-	-	-	-	-
-	-	-	-	-	-
-	7	-	356,789	32,661	65,812
-	-	-	-	-	-
-	-	18,258	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7	18,258	356,789	32,661	65,812
-	28,041	212,262	82,051	11,211	-7,251
-	-	-	12,957	-	-
-	-	-	-	-	-
-	-	23,600	-	-	-
-	-	23,600	12,957	-	-
-	-	-	-	-	-
-	-	-	73,360	-	-
-	17,597	258,959	9,172	-	1,402
-	23,600	-	-	-	-
-	41,197	258,959	82,532	-	1,402
-	<b>-13,156</b>	<b>-23,097</b>	<b>12,476</b>	<b>11,211</b>	<b>-8,653</b>
3,300	89,272	-5,910	164,281	-	-
-	-	-	517,908	58,328	43,573
<b>3,300</b>	<b>89,272</b>	<b>-5,910</b>	<b>682,189</b>	<b>58,328</b>	<b>43,573</b>

The accompanying notes are an integral part of this statement.

**City of Gold Bar**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

	<b>Total for All Funds (Memo Only)</b>	<b>633 Agency Fund</b>
308	Beginning Cash and Investments	292
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	7,979
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	4,299
	Net Increase (Decrease) in Cash and Investments:	3,680
508	Ending Cash and Investments	3,973

The accompanying notes are an integral part of these statements

**City of Gold Bar**  
**Notes to Financial Statements**  
**MCAG 0671**  
**Fiscal Year 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gold Bar was incorporated in 1910 and operates under the laws of the State of Washington applicable to a non-charter code city with a Mayor - Council form of government (RCW 35A). The City of Gold Bar is a general purpose local government and provides public safety through contract with Snohomish County, street maintenance and improvements, parks and recreation, and general administrative services. In addition the City owns and operates a water utility, a storm water management system, and contracts for recycling services.

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

- Financial transactions are recognized on a cash basis of accounting as described in Note 1(B).
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

1. Governmental Fund Types

*General (Current expense) Fund*



This fund is the primary operating fund of the government. 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 government.

*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.

2. 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.

3. Fiduciary Fund Types

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

*Agency Funds*

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

B. Basis of Accounting

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

In accordance with state law, the City of Gold Bar also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The City of Gold Bar adopts annual appropriated budgets for General, Special Revenue, Capital Project, and Enterprise 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 2015 budgets were as follows.

<b>Fund</b>	<b>Appropriated</b>	<b>Actual Expenditures</b>	<b>Actual Non-Operating Exp</b>	<b>Variance</b>
General 001	\$ 764,067.00	\$ 513,670.40	\$ 37,760.00	\$ 212,636.60
NNO 006	\$ 13.13	\$ 59.53	\$ -	\$ (46.40)
Litigation 015	\$ 37,875.28	\$ 78,043.07		\$ (40,167.79)
Street 101	\$ 68,158.00	\$ 50,010.00	\$ -	\$ 18,148.00
Park Impact 103	\$ 3,600.00	\$ -	\$ -	\$ 3,600.00
Street Impact 104	\$ 3,750.00	\$ -	\$ -	\$ 3,750.00
Cap. Proj. 301	\$ 76,429.00	\$ 7.00	\$ 41,197.00	\$ 35,225.00
Grants 302	\$ 277,217.00	\$ 18,258.00	\$ 258,959.00	\$ -
Water 401	\$ 868,473.00	\$ 237,257.33	\$ 82,532.00	\$ 548,683.67
Cap Impr. 403	\$ 189,232.00	\$ 46,172.03	\$ -	\$ 143,059.97
Reserve 404	\$ 73,360.00	\$ -	\$ -	\$ 73,360.00
Emergency 405	\$ 85,000.00	\$ -	\$ -	\$ 85,000.00
Debt 407	\$ 78,281.00	\$ 73,359.64	\$ -	\$ 4,921.36
Recycling 410	\$ 96,630.00	\$ 32,661.00	\$ -	\$ 63,969.00
Storm 415	\$ 103,072.00	\$ 65,812.00	\$ 1,402.00	\$ 35,858.00
Agency 633	\$ 4,542.00	\$ -	\$ 4,299.00	\$ 243.00
<b>Totals</b>	<b>\$ 2,729,699.41</b>	<b>\$ 1,115,310.00</b>	<b>\$ 426,149.00</b>	<b>\$ 1,188,240.41</b>

Budgeted amounts are authorized to be transferred by the Treasurer between departments within any fund/object classes within departments; 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 of Gold Bar legislative body.

D. Cash and Investments

See Note #3, *Cash and Deposits*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. The capital assets and inventory of the City of Gold Bar are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to thirty (30) days and is payable upon separation or retirement.

Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave. After accumulating thirty (30) days, employees may convert sick leave to vacation leave on a two-to-one ratio.

*See also Note 7, Pension Plans*

#### G. Long-Term Debt

*See Note #6, Debt Service Requirements.*

#### H. Other Financing Sources or Uses

The City of Gold Bar's other financing sources or uses consist of operating transfers in and out, general obligation bond proceeds, capital purchases for land and equipment, other debt payments, and material prior year corrections. *See also Note #8, Prior Year Adjustments.*

#### I. Risk Management

##### *1. General Risk Management*

The City of Gold Bar is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). 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 Inter-Local Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Inter-Local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 102 municipalities/entities participate in the AWC RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverage is on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property reinsurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the

stated retention. All members in the AWC RMSA have \$10 million in both occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insurance Retention (SIR) of \$250,000 per occurrence and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity and Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2015, AWC RMSA carried retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA Pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Inter-Local Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

The specific financials of the AWC RMSA can be obtained from the AWC RMSA Annual Report on file with the City of Gold Bar.

## *2. Health and Welfare*

The City of Gold Bar is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Inter-local agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Inter-local Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield, and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of twelve months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of six months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of sixty days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees, or its appointed delegates, review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options, and benefits, in compliance with Chapter 48.62, RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). Year-end financial reporting is

done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's Office.

#### J. Reserved Portion of Ending Cash and Investments

The City of Gold Bar has no commitments or restrictions on fund balance except those imposed by State law. The City does report on its financial statements as reserved fund balances as the following.

- City Streets Fund 101, due to the sole revenue source being the State Motor Vehicle Excise Tax.
- Parks and Street Impact Funds 103 and 104 due to the sole revenue source being impact fees for improvements of parks and/or street infrastructure.
- Capital Projects Fund 301 due to the sole revenue being the Real Estate Excise Tax that can be used only for capital purposes.
- Street Improvement Fund 302 due to the sole revenue being Federal and State construction grants.
- Water Fund 401 revenues that are related to debt service payments and debt service reserves for debt payments and debt covenant requirements associated with the outstanding Revenue Bonds of the Water Utility, as well as for capital improvements.
- Agency Fund 633 due to funds collected and due other governmental agencies.

#### NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

##### A. Legal

In the beginning of 2010, several lawsuits were filed against the City of Gold Bar, in Snohomish County Superior Court for non-compliance of the Public Records Act. The following are still active, or have been resolved in 2015 as noted.

*Block v. City of Gold Bar (#10-2-02355-9)  
Filed February, 2010  
Ongoing*

*Block v. City of Gold Bar (#11-2-04307-8)  
Filed April, 2011  
Dismissed, September 2015*

*Block v. City of Gold Bar (#11-2-09706-2)  
Filed November, 2011  
Ongoing*

*Block v. City of Gold Bar (#12-2-02255-9)  
Filed January, 2012*

Ongoing

*Block v. City of Gold Bar and Snohomish County (#C14-235 RAJ, 14 CV 00235 RAJ)*

*Filed 2015*

*Ongoing*

*Block v. City of Gold Bar, WSBA, Linda Loen, Crystal Hill, Joe Beavers*

*Filed 2015*

*Ongoing*

*Block v. City of Gold Bar (#15-2-04786-6)*

*Filed 2015*

*Dismissed, September 2015*

*Block v. City of Gold Bar (#15-2-06148-6)*

*Filed 2015*

*Ongoing*

## B. Financial Reporting

In order to comply with the State of Washington Budget and Accounting Reporting System, the City rolls up several management funds into financial reporting activities. The table below shows the roll ups that occur for financial reporting purposes.

<i>Reporting Fund</i>	<i>Title</i>	<i>Component Fund</i>	<i>Title</i>
001	General Government	001	<i>Same</i>
		006	National Night Out Fund
		015	Litigation Fund
101	Street	101	<i>Same</i>
103	Park Impact Fund	103	<i>Same</i>
104	Street Impact Fund	104	<i>Same</i>
301	Capital Projects Fund	301	<i>Same</i>
401	Water Operating Fund	401	<i>Same</i>
		403	Water Capital Improvement
		404	FMHA Reserve
		405	Emergency Reserve
		407	Debt Service
		409	Booster Pump
410	Recycling Fund	410	<i>Same</i>
415	Stormwater Fund	415	<i>Same</i>
633	Agency Fund	633	<i>Same</i>

## C. Significant Commitments and Obligations

The City of Gold Bar has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include medical, vision, nursing care, etc. One retiree received benefits during the year and \$15,270.65 was paid out for those benefits during 2015.

There have been no material violations of finance-related legal, or contractual provisions, nor have there been any expenditure exceeding legal appropriations in any of the funds of the City of Gold Bar.

### NOTE 3 – CASH AND DEPOSITS

It is the City of Gold Bar's policy to invest only the cash surplus for the Water Utility Capital Improvement Fund. The interest on this investment is allocated only to the Water Utility Capital Improvement Fund. Other surplus funds are maintained in the checking account. Due to the closing of an account with the Bank of America, and the transfer of those funds to the current bank, Coastal Community Bank, the City has not invested in 2015. However, now that stability in staffing and banking has occurred, the City intends to research resuming investing.

All deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposits Protection Commission. All investments are insured, registered, or held, by the City of Gold Bar or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31<sup>st</sup>, 2015, are as follows.

<i>Local Government Investment Pool</i>	<i>\$150,437.08</i>
-----------------------------------------	---------------------

### NOTE 4 – PROPERTY TAXES

The Snohomish County Treasurer acts as an agent to collect property taxes 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 of Gold Bar. Delinquent taxes are considered fully collectible because a lien affixes to the property after the tax is levied.

The City of Gold Bar's regular levy for the year 2015 was 1.74507896 per \$1,000 on an assessed valuation of \$121,587,673 for a total regular levy of \$212,180.09

The City of Gold Bar did not have any special levies.

The City of Gold Bar did not have any diverted road levies.

### NOTE 5 – INTERFUND LOANS AND ADVANCES

The following displays interfund loan activity during 2015.



Interfund Loan Activity							
Borrower	BARS	Lender	BARS	Balance	New Loans	Repayments	Balance
				1/1/2015			12/31/2015
General 015	581.10.79	Water 401	381.20.00	\$ 12,946.00	\$ -	\$ 12,946.00	\$ -
<b>Interest</b>							
General 015	592.15.82	Water 401	361.40.00	\$ 6.38	\$ -	\$ 6.38	\$ -

## NOTE 6 - DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (Schedule 09) provides more details of the outstanding debt and liability of the City of Gold Bar and summarizes the City's debt transactions for 2015. The debt service requirements are typically for general obligation bonds, revenue bonds, and other debt. The City of Gold Bar has no general obligation bonds or other debt. The debt service requirements for revenue bonds are as follows:

### **Revenue Bonds**

Year	Principal	Interest	Total
2015	\$ 26,177.10	\$ 47,182.54	\$ 73,359.64
2016	\$ 26,896.97	\$ 46,462.67	\$ 73,359.64
2017	\$ 27,636.63	\$ 45,723.01	\$ 73,359.64
2018	\$ 28,396.64	\$ 44,963.00	\$ 73,359.64
2019	\$ 29,177.55	\$ 44,182.09	\$ 73,359.64
2020-2024	\$ 158,374.00	\$ 208,424.20	\$ 366,798.20
2025-2029	\$ 181,381.51	\$ 185,416.69	\$ 366,798.20
2030-2034	\$ 207,731.40	\$ 159,066.80	\$ 366,798.20
2035-2039	\$ 237,909.25	\$ 128,888.95	\$ 366,798.20
2040-2044	\$ 272,471.12	\$ 94,327.08	\$ 366,798.20
2045-2049	\$ 312,053.90	\$ 54,744.30	\$ 366,798.20
2050-2052	\$ 208,590.80	\$ 11,488.12	\$ 220,078.92
<b>Totals</b>	<b>\$ 1,716,796.87</b>	<b>\$ 1,070,869.45</b>	<b>\$ 2,787,666.32</b>

*Figures for interest and principal for the year 2052 may be adjusted based on percentages for the amortization schedule used for this loan.*

The City of Gold Bar initiated an interim loan with Cashmere Valley Bank in 2011, to provide for interim financing of \$1,766,000 for the purpose of funding construction of a booster pump to improve the capabilities of the City's water system. The interim loan was issued on July 26, 2011 for the total loan amount of \$1,766,000 and is backed by a loan guarantee from the United States Department of Agriculture (USDA). The loan was converted to a Revenue Bond in September 2012 with the USDA purchasing the bonds. The City paid off the interim loan balance and called

the remaining balance of the 1995 Revenue Bond issue through a bond defeasance in 2012.

NOTE 7 – PENSION PLANS

*State Sponsored Pension Plans*

All City of Gold Bar employees are covered under the Federal Social Security System plan. In 1997, the City implemented contributions to the ICMA Benefit Trust 457 deferred compensation plan. The City developed a policy to match employee contributions up to \$100 per employee per month. In 1998, the policy was revised so that the City would contribute \$100 per employee per month if the employee contributed a minimum of \$25. Starting in January 2002, the City increased the contribution to \$125 per employee per month. In January 2008 the council voted to discontinue the contribution to ICMA starting in February 2008, although employees could elect to continue and contribute to ICMA in the amount of their choice.

As of February 1, 2008, substantially all City of Gold Bar full-time and qualifying part-time employees participate in the 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 of Gold Bar's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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

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

Additionally, the Department of Retirement Systems CAFR may be downloaded from their website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2015 (the measurement date of the plans), the City of Gold Bar proportionate share of the collective net pension liabilities as reported on the Schedule 09, and as disclosed in the Participating Employer Financial Report (PEFI), was as follows:

	Allocation %	Liability (Asset)
PERS 1	0	0
PERS 1 UAAL	\$7,220	0.001571%
PERS 2/3	\$9,041	0.002030%

The City of Gold Bar also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June, 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

#### NOTE 8 – PRIOR YEAR ADJUSTMENTS

There were no prior year adjustments for the reporting year of 2015.

#### NOTE 9 – FEDERAL LOANS

The City of Gold Bar was approved in 2014 by the US Department of Transportation to receive a pass through grant through the WA Department of Transportation. The grant total was \$122,500. Of that grant amount, \$104,809.42 was expended in 2014. Final expenditures of \$17,007.29 came out of funding year 2015, as reported in Schedule 16 for 2015. The grant was finalized and closed in 2015.

#### NOTE 10 – OTHER DISCLOSURES

##### *Joint Ventures*

Component units and joint ventures are any legally separate organization that the government either controls (e.g., because it appoints a voting majority of the board) or holds an ongoing financial interest (e.g., equity interest) or has an ongoing financial responsibility (e.g., government is obligated in some manner for the debts of the organization).

The City of Gold Bar holds a joint venture with Snopac, dispatch for emergency services, through an interlocal with Snohomish County Sheriff's Department. Currently, fees for Snopac services are paid as part of the quarterly payments to the Sheriff's Department. If Snopac were to dissolve, the cost for services would be reimbursed to the city. Based on the financial report by Snopac for 2015, equity interest due to the City of Gold Bar in the event of the dissolution of Snopac would be \$61,419.00.

##### *Lease agreements.*

The City of Gold Bar maintains a lease agreement on a five-year basis, with Konica/Minolta for the use of a copy machine/printer.

#### NOTE 11 – SUBSEQUENT EVENTS

As noted in Note 2, the City has processed numerous Public Record Requests, several of which have resulted in litigation. As a result the City has incurred legal and staff expenditures which continue to deplete its operating reserves. Most of the public record requests pertain to current and former elected officials.

Assessed valuations, property tax collections, and other revenues have increased in the

last year and some lawsuits have been settled, while new lawsuits are in process. As a result the City's financial condition improves slowly. The General Fund had an ending balance in 2015 of \$226,184, which is an increase of \$40,637 from 2014. Any additional legal costs will not prove as large a burden as the City's insurance carrier has agreed to defend the City in all future public record and other litigation matters. Unforeseen events can still cause a severe financial condition where the City's General Fund cannot meet its financial and/or operational obligations but the action of the insurance carrier provides room for the City to reestablish its reserves over the coming years.

The City's Utility Funds are solvent and in, overall, good financial condition. Governmental services are still recovering and will do so for the next few years. In order to rebuild its reserves, the city continues to provide only essential services.

The Stormwater fund bears close monitoring as it does not appear to be bringing in enough revenue to cover expenditures, as apparent in 2015. The City Treasurer has implemented a Time Allocation study and believes that employee time charged to the Stormwater fund will be adjusted because of this study, which will impact expenditures charged to that fund.

State law allows for interfund loans between funds, while prohibiting direct, non-repayable support to general governmental operations by utility funds. The need for such interfund loans has dissipated and while a good option, there is no intention to issue further interfund loans.

Previously, the City of Gold Bar maintained funds in two banks, the Bank of America, and Coastal Community Bank. In 2015 the City elected to close the Bank of America account and transfer funds to Coastal Community Bank where banking fees were more reasonable. Eventually the City will research investing a portion of those funds. But investments did not happen in 2015 because the City is monitoring expenditures related to legal costs as well as allowing new staff to acclimate to financial activities for the City. It can be assumed that any surplus funds will be invested in the Local Government Investment Pool where the City already maintains investments.

Fund 302 is utilized for grants. In 2014 the City received a grant from the Department of Commerce. In 2015 there were unexpected final expenditures related to that grant that had not been budgeted for and that were not reimbursable. As a result, Fund 302 ended the year with a deficit of \$5,910.08.

**City of Gold Bar  
Schedule of Liabilities  
For the Year Ended December 31, 2015**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2015	17,608	3,954	1,000	20,562
264.30	Pension Liabilities	12/31/2015	-	154,711	-	154,711
263.82	USDA Loan	9/1/2052	1,715,729	-	26,177	1,689,552
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>1,733,337</b>	<b>158,665</b>	<b>27,177</b>	<b>1,864,825</b>
	<b>Total Liabilities:</b>		<b>1,733,337</b>	<b>158,665</b>	<b>27,177</b>	<b>1,864,825</b>

## 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.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>