



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
City of Castle Rock

Cowlitz County

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

Published November 22, 2017

Report No. 1020239





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

November 22, 2017

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

Report on Financial Statements

Please find attached our report on the City of Castle Rock'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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**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 Castle Rock
Cowlitz County
January 1, 2015 through December 31, 2016**

Mayor and City Council
City of Castle Rock
Castle Rock, 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 Castle Rock, Cowlitz County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 8, 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 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.

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*.

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

November 8, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Castle Rock Cowlitz County January 1, 2015 through December 31, 2016

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Castle Rock, Cowlitz County, Washington, for the years ended December 31, 2016 and 2015, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Castle Rock 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 Castle Rock, for the years ended December 31, 2016 and 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 Castle Rock, as of December 31, 2016 and 2015, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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.



Pat McCarthy

State Auditor

Olympia, WA

November 8, 2017

FINANCIAL SECTION

**City of Castle Rock
Cowlitz County
January 1, 2015 through December 31, 2016**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	010 General Fund	100 Street Fund	120 City Exhibit Hall Fund
Beginning Cash and Investments					
30810	Reserved	888,564	60,124	45,777	64,361
30880	Unreserved	1,874,786	393,086	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,238,508	1,137,548	-	14,077
320	Licenses and Permits	46,881	46,881	-	-
330	Intergovernmental Revenues	751,352	89,572	68,470	47,000
340	Charges for Goods and Services	2,885,658	6,228	28,328	-
350	Fines and Penalties	19,728	19,728	-	-
360	Miscellaneous Revenues	47,212	2,558	6,687	2,161
Total Revenues:		<u>4,989,339</u>	<u>1,302,515</u>	<u>103,485</u>	<u>63,238</u>
Expenditures					
510	General Government	322,757	322,757	-	-
520	Public Safety	898,198	898,198	-	-
530	Utilities	2,136,873	7,000	-	-
540	Transportation	165,403	-	99,266	-
550	Natural and Economic Environment	90,737	77,382	-	13,355
560	Social Services	574	574	-	-
570	Culture and Recreation	218,626	19,474	-	8,438
Total Expenditures:		<u>3,833,167</u>	<u>1,325,385</u>	<u>99,266</u>	<u>21,793</u>
Excess (Deficiency) Revenues over Expenditures:		1,156,171	(22,870)	4,219	41,445
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	133,887	-	-	-
397	Transfers-In	58,810	12,000	25,810	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	28,577	19,847	-	-
381, 395, 398	Other Resources	77,198	705	-	-
Total Other Increases in Fund Resources:		<u>298,472</u>	<u>32,552</u>	<u>25,810</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,077,151	95,529	-	57,021
591-593, 599	Debt Service	539,866	885	28,762	-
597	Transfers-Out	58,810	40,810	3,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	17,611	17,452	-	159
581	Other Uses	40,442	-	35,333	-
Total Other Decreases in Fund Resources:		<u>1,733,881</u>	<u>154,676</u>	<u>67,095</u>	<u>57,180</u>
Increase (Decrease) in Cash and Investments:		(279,237)	(144,994)	(37,066)	(15,735)
Ending Cash and Investments					
5081000	Reserved	817,799	43,907	8,711	48,627
5088000	Unreserved	1,666,314	264,310	-	-
Total Ending Cash and Investments		<u>2,484,114</u>	<u>308,216</u>	<u>8,711</u>	<u>48,627</u>

The accompanying notes are an integral part of this statement.

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

	<u>130 Library Fund</u>	<u>160 Cdbg Grant/home Rehab Project</u>	<u>170 Dot Spoil Site</u>	<u>195 Low Income Housing Fund</u>	
Beginning Cash and Investments					
30810	Reserved	40,969	165,112	21,374	37,454
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	62,691	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	642	-	6,642	3,000
340	Charges for Goods and Services	2,748	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	80	-	1,515	-
Total Revenues:		<u>66,161</u>	<u>-</u>	<u>8,157</u>	<u>3,000</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	64,933	-	40,880	-
Total Expenditures:		<u>64,933</u>	<u>-</u>	<u>40,880</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		1,228	-	(32,723)	3,000
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	15	-	35,451	-
Total Other Increases in Fund Resources:		<u>15</u>	<u>-</u>	<u>35,451</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	136	-	3	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	5,109	-
Total Other Decreases in Fund Resources:		<u>136</u>	<u>-</u>	<u>5,112</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		1,107	-	(2,384)	3,000
Ending Cash and Investments					
5081000	Reserved	42,077	165,112	18,991	40,454
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		42,077	165,112	18,991	40,454

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		300 Swimming Pool Const Fund, 1987	310 Reet Capital Fund	320 Street Construction Capital Fund	400 Water/Sewer Operating Fund
Beginning Cash and Investments					
30810	Reserved	38,377	16,358	64,835	333,822
30880	Unreserved	-	-	-	1,353,278
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	24,191	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	474,877	164
340	Charges for Goods and Services	-	-	-	2,725,650
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	550	5,202	8,942
Total Revenues:		-	24,741	480,079	2,734,757
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,098,555
540	Transportation	-	-	-	1,800
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	2,100,355
Excess (Deficiency) Revenues over Expenditures:		-	24,741	480,079	634,401
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	133,887
397	Transfers-In	-	-	15,000	6,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	8,730
381, 395, 398	Other Resources	33,756	-	-	7,271
Total Other Increases in Fund Resources:		33,756	-	15,000	155,888
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	580,931	329,694
591-593, 599	Debt Service	-	-	-	510,219
597	Transfers-Out	-	12,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	12,000	580,931	839,913
Increase (Decrease) in Cash and Investments:		33,756	12,741	(85,852)	(49,624)
Ending Cash and Investments					
5081000	Reserved	72,133	29,099	(21,018)	369,706
5088000	Unreserved	-	-	-	1,267,771
Total Ending Cash and Investments		72,133	29,099	(21,018)	1,637,477

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

	420 Stormwater Management Fund	475 Boat Launch Facility Fund
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	14,717
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	51,096
340	Charges for Goods and Services	9,889
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
	Total Revenues:	19,517
	132,593	70,613
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	31,318
550	Natural and Economic Environment	64,337
560	Social Services	-
570	Culture and Recreation	-
	Total Expenditures:	84,902
	95,655	84,902
	Excess (Deficiency) Revenues over Expenditures:	(14,289)
	36,938	-
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
	Total Other Increases in Fund Resources:	-
	-	-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	13,744
591-593, 599	Debt Service	95
597	Transfers-Out	-
585	Special or Extraordinary Items	3,000
586 / 589	Custodial Activities	-
581	Other Uses	-
	Total Other Decreases in Fund Resources:	-
	16,744	95
	Increase (Decrease) in Cash and Investments:	20,194 (14,384)
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	-
	133,899	334
	Total Ending Cash and Investments	334
	133,899	334

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		<u>Total for All Funds (Memo Only)</u>	<u>010 General Fund</u>	<u>100 Street Fund</u>	<u>120 City Exhibit Hall Fund</u>
Beginning Cash and Investments					
30810	Reserved	1,150,370	90,839	223,118	177,809
30880	Unreserved	1,686,060	372,975	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,207,308	1,117,984	-	14,572
320	Licenses and Permits	60,702	60,702	-	-
330	Intergovernmental Revenues	578,718	119,402	92,005	-
340	Charges for Goods and Services	2,898,500	6,446	25,000	-
350	Fines and Penalties	30,810	30,810	-	-
360	Miscellaneous Revenues	111,283	186	2,722	-
Total Operating Revenues:		<u>4,887,320</u>	<u>1,335,530</u>	<u>119,727</u>	<u>14,572</u>
Operating Expenditures					
510	General Government	287,454	287,454	-	-
520	Public Safety	878,566	878,566	-	-
530	Utilities	2,115,004	7,000	-	-
540	Transportation	126,991	-	77,232	-
550	Natural and Economic Environment	96,613	92,873	-	3,740
560	Social Services	560	560	-	-
570	Culture and Recreation	140,308	7,121	9,768	5,975
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>3,645,496</u>	<u>1,273,575</u>	<u>87,001</u>	<u>9,714</u>
Net Operating Increase (Decrease):		<u>1,241,824</u>	<u>61,956</u>	<u>32,727</u>	<u>4,857</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	197,145	23,406	86,150	3,283
391-393	Debt Proceeds	493,922	-	-	-
397	Transfers-In	43,117	-	25,810	-
Total Nonoperating Revenues:		<u>734,183</u>	<u>23,406</u>	<u>111,960</u>	<u>3,283</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	128,598	21,729	6,049	-
591-593	Debt Service	797,356	-	306,011	-
594-595	Capital Expenditures	1,080,015	48,426	6,967	121,588
597	Transfers-Out	43,117	25,810	3,000	-
Total Nonoperating Expenditures:		<u>2,049,086</u>	<u>95,965</u>	<u>322,027</u>	<u>121,588</u>
Net Increase (Decrease) in Cash and Investments:		(73,078)	(10,603)	(177,340)	(113,448)
Ending Cash and Investments					
5081000	Reserved	888,564	60,124	45,777	64,361
5088000	Unreserved	1,874,786	393,086	-	-
Total Ending Cash and Investments		<u>2,763,350</u>	<u>453,210</u>	<u>45,777</u>	<u>64,361</u>

The accompanying notes are an integral part of this statement.

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		<u>130 Library Fund</u>	<u>160 Cdbg Grant/home Rehab Project</u>	<u>170 Dot Spoil Site</u>	<u>195 Low Income Housing Fund</u>
Beginning Cash and Investments					
30810	Reserved	34,347	165,477	9,453	34,454
30880	Unreserved	-	-	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	58,834	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	633	-	-	3,000
340	Charges for Goods and Services	2,323	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2	-	2,185	-
Total Operating Revenues:		<u>61,792</u>	<u>-</u>	<u>2,185</u>	<u>3,000</u>
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	54,957	-	25,599	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>54,957</u>	<u>-</u>	<u>25,599</u>	<u>-</u>
Net Operating Increase (Decrease):		6,835	-	(23,414)	3,000
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	230	-	51,135	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		<u>230</u>	<u>-</u>	<u>51,135</u>	<u>-</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	15,800	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	443	365	-	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		<u>443</u>	<u>365</u>	<u>15,800</u>	<u>-</u>
Net Increase (Decrease) in Cash and Investments:		6,622	(365)	11,921	3,000
Ending Cash and Investments					
5081000	Reserved	40,969	165,112	21,374	37,454
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		40,969	165,112	21,374	37,454

The accompanying notes are an integral part of this statement.

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		<u>300 Swimming Pool Const Fund, 1987</u>	<u>310 Reet Capital Fund</u>	<u>320 Street Construction Capital Fund</u>	<u>400 Water/Sewer Operating Fund</u>
Beginning Cash and Investments					
30810	Reserved	107,577	11,748	11,510	284,038
30880	Unreserved	-	-	-	1,211,958
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	15,917	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	327,510	-
340	Charges for Goods and Services	-	-	-	2,745,460
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	69,058	13,719
Total Operating Revenues:		-	15,917	396,568	2,759,179
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,077,199
540	Transportation	-	-	-	3,600
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		-	-	-	2,080,799
Net Operating Increase (Decrease):		-	15,917	396,568	678,380
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	15,800	-	-	17,078
391-393	Debt Proceeds	-	-	329,000	164,922
397	Transfers-In	-	-	11,307	6,000
Total Nonoperating Revenues:		15,800	-	340,307	187,999
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	85,000	-	-	-
591-593	Debt Service	-	-	-	491,345
594-595	Capital Expenditures	-	-	683,551	183,929
597	Transfers-Out	-	11,307	-	-
Total Nonoperating Expenditures:		85,000	11,307	683,551	675,275
Net Increase (Decrease) in Cash and Investments:		(69,200)	4,610	53,324	191,106
Ending Cash and Investments					
5081000	Reserved	38,377	16,358	64,835	333,822
5088000	Unreserved	-	-	-	1,353,278
Total Ending Cash and Investments		38,377	16,358	64,835	1,687,101

The accompanying notes are an integral part of this statement.

City of Castle Rock
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		420 Stormwater Management Fund	475 Boat Launch Facility Fund
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	84,879	16,248
388 & 588	Prior Period Adjustments, Net	-	-
Operating Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	36,168
340	Charges for Goods and Services	119,270	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	23,411
	Total Operating Revenues:	119,270	59,579
Operating Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	30,804	-
540	Transportation	46,159	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	36,888
598	Miscellaneous Expenses	-	-
	Total Operating Expenditures:	76,963	36,888
	Net Operating Increase (Decrease):	42,307	22,691
Nonoperating Revenues			
370-380, 395 & 398	Other Financing Sources	-	63
391-393	Debt Proceeds	-	-
397	Transfers-In	-	-
	Total Nonoperating Revenues:	-	63
Nonoperating Expenditures			
580, 596 & 599	Other Financing Uses	-	20
591-593	Debt Service	-	-
594-595	Capital Expenditures	10,481	24,264
597	Transfers-Out	3,000	-
	Total Nonoperating Expenditures:	13,481	24,284
	Net Increase (Decrease) in Cash and Investments:	28,826	(1,530)
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	113,705	14,717
	Total Ending Cash and Investments	113,705	14,717

The accompanying notes are an integral part of this statement.

City of Castle Rock
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

	Total for All Funds (Memo Only)	621 A Thompson Library Trust	632 Transportation Benefit District Fund	
308	Beginning Cash and Investments	34,210	0	34,210
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	92,175	-	92,175
380-390	Other Increases and Financing Sources	-	-	-
510-570	Expenditures	34,870	-	34,870
580-590	Other Decreases and Financing Uses	-	-	-
	Net Increase (Decrease) in Cash and Investments:	57,305	-	57,304
508	Ending Cash and Investments	91,515	0	91,515

The accompanying notes are an integral part of this statement.

City of Castle Rock
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

	Total for All Funds (Memo Only)	621 A Thompson Library Trust	632 Transportation Benefit District Fund	
308	Beginning Cash and Investments	52,748	0	52,748
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	85,246	-	85,246
380-390	Other Increases and Financing Sources	-	-	-
510-570	Expenditures	103,784	-	103,784
580-590	Other Decreases and Financing Uses	-	-	-
	Net Increase (Decrease) in Cash and Investments:	(18,538)	-	(18,538)
508	Ending Cash and Investments	34,210	0	34,210

The accompanying notes are an integral part of this statement.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Castle Rock, Washington was incorporated on June 20, 1890 and operates under the laws of the state of Washington applicable to a non-charter Code City. The city is a general purpose local government and provides public safety, street improvement, parks, library, recreation and general administrative services. The city owns a water system and operates a water treatment plant in a joint venture with Cowlitz County. In addition, the City also owns and operates a sewer system and sewage treatment plant.

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

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

A. Fund Accounting

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:

GOVERNMENTAL FUND TYPES:

General 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

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

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.

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.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government 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 government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the city 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 adopts annual appropriated budgets for the general, special revenue, debt service, capital project, enterprise and agency funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Executive Department	\$80,528	\$77,496	\$3,032
Municipal Court Department	\$95,875	\$95,707	\$168
Finance Department	\$133,668	\$128,454	\$5,214
Police Department	\$936,536	\$878,670	\$57,866
Park Department	\$21,280	\$19,442	\$1,838
Planning Department	\$31,696	\$31,146	\$550
Non-Department	\$197,898	\$181,081	\$16,817
Street Fund	\$167,262	\$166,361	\$901
Building Code Acct Fund	\$52,190	\$38,119	\$14,071
City Exhibit Hall Fund	\$158,994	\$78,972	\$80,022
Library Fund	\$69,241	\$65,068	\$4,173
Criminal Justice Fund	\$10,233	\$8,921	\$1,312
Local Criminal Justice Fund	\$29,192	\$25,549	\$3,643
CDBG Grant Rehab Fund	\$21,800	\$0.00	\$21,800
DOT Spoil Site Fund	\$55,361	\$45,992	\$9,369
Drug Enforcement Fund	\$148	\$0.00	\$148
PW Vehicle Replacement	\$60,000	\$20,000	\$40,000
REET Capital Fund	\$12,000	\$12,000	\$0.00
Street Construction Capital Fund	\$618,279	\$580,931	\$37,348

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

	Final Appropriated	Actual	
Fund/Department	Amounts	Expenditures	Variance
Water Department Fund	\$783,700	\$754,166	\$29,534
Sewer Department Fund	\$1,010,588	\$967,117	\$43,471
Regional Water System Fund	\$493,623	\$435,384	\$58,239
Regional Sewer System Fund	\$679,796	\$644,117	\$35,679
Stormwater Management Fund	\$155,584	\$119,019	\$36,565
Stormwater Capital Reserve Fund	\$57,000	\$13,379	\$43,621
Regional Water Capital Improvement Fund	\$195,200	\$186,388	\$8,812
Municipal Water Capital Improvement	\$40,600	\$15,851	\$24,749
Boat Launch Facility Fund	\$99,350	\$84,997	\$14,353
Municipal Sewer Capital Improvement Fund	\$43,450	\$30,779	\$12,671
Consumer Deposit	\$12,000	\$6,466	\$5,534
Transportation Benefit District	\$115,063	\$34,870	\$80,193
TOTAL OF ALL FUNDS:	\$6,438,135	\$5,746,442	\$691,693

Variations include unexpended balances and budgeted ending fund balances. In addition, variations in the Street Construction Fund and Street Fund also include grant-funded projects which were not completed.

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the

CITY OF CASTLE ROCK
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

For reporting purposes on Statement C-4, activities for the following funds have been included within General Fund totals: General Fund, Petty Cash/Change Fund, Building Code Account Fund, Criminal Justice Fund, Local Criminal Justice Fund, Accumulative Reserve Fund, and Drug Enforcement Fund. Stormwater utilities include the Stormwater Management Fund and the Stormwater Capital Reserve Fund. Street Fund and Street Capital Improvement Fund are reported together. The following funds are reported within the Utilities Fund; Public Works Vehicle Replacement Fund, Water Fund, Sewer Fund, Regional Water Fund, Regional Sewer Fund, Regional Water Capital Improvement Fund, Municipal Water Capital Improvement Fund, Water Bond Reserve Fund, Sewer Bond Reserve Fund, Sewer Loan Reserve, Short Lived Asset Account Fund, Emergency Repair and Replacement, Municipal Sewer Capital Improvement Fund, and Utility Deposit Fund. The city manages funds for the Castle Rock City Transportation Benefit District. Included in those funds are the Transportation Benefit District Fund and TBD Capital Project Fund. All other funds are reported separately.

D. Cash and Investments

See Note 2 *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets of the city are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated as outlined below:

Accruals	Supervisory/ Non-bargaining	Police Bargaining unit	Clerical Bargaining unit	Public Works Bargaining unit
Vacation	280 hours	280 hours	240 hours	240 hours

Bargaining unit employees cannot exceed the maximum accrual hours, without obtaining prior written approval from the department supervisor or mayor. Additional approved time must be used down to the maximum hours within ninety days of the signed approval. Public Works and Clerical bargaining units require any vacation hours accrued in excess of the 240 –hour accrual limit (and not having obtained written approval for the overage) to be paid at the employee's regular rate of pay in the month following accrual of the excess hours. Supervisory staff and eligible non-bargaining employees may exceed allowable accruals, upon written approval by the mayor. For all eligible employees; vacation accruals are payable upon separation or retirement.

Sick leave may be accumulated as outlined below:

Accruals	Supervisory/ Non-bargaining	Police Bargaining unit	Clerical Bargaining unit	Public Works Bargaining unit
Sick	840 hours	720 hours	720 hours	840 hours

CITY OF CASTLE ROCK
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

The police bargaining employees accumulating over 720 hours of sick leave shall exchange all additional accumulated sick leave for pay at the rate of fifty-percent (4 hours at regular rate of pay) on the month immediately following any month where accrual limit is exceeded.

Upon separation or retirement public works employees do not receive payment (buyout) for unused sick leave. Clerical and police bargaining unit employees receive a buyout of their accumulated sick. Clerical buyout, upon separation is at the rate of 10% of the employee's accumulated sick leave. For police the buyout is 20% of the accumulated sick leave (for employees with less than eleven years of employment) and 25% of the accumulated sick leave (for employees with more than eleven years of employment). Qualified employees not covered by a collective bargaining agreement receive a buyout of 10% of the accumulated unused sick leave (for service of at least five years to nine years); and those with 10 years or more of service receive 25% of their unused sick leave. Payments are recognized as expenditures when paid. Those discharged for cause shall not be entitled to receive a buyout of their accumulated sick leave.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of either transfers-in or transfers-out between funds or contributions to capital, enterprise or internal service funds to establish or reduce working capital in other funds. Interfund transfers include the following:

From	To:	Amount:
General Fund	Street Fund	\$ 25,810.00
General Fund	Current/General Expense	\$ 4,525.00
General Fund	Street Capital Fund	\$ 15,000.00
Street Fund	Utility Operating Funds	\$ 3,000.00
REET Fund	General Fund	\$ 12,000.00
Water-Sewer Utility Funds	Utility Operating Funds	\$119,999.00
Stormwater Utility Funds	Utility Operating Funds	\$ 3,000.00
Stormwater Utility Funds	Stormwater Utility Funds	<u>\$ 20,000.00</u>
Total:		<u>\$203,334.00</u>

I. Risk Management

The City of Castle Rock 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 Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 98 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 coverages are 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 insurance 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 \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured 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 liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016,

AWC RMSA carried a 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 Interlocal 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.

J. Health and Welfare

The City of Castle Rock 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 Interlocal 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.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns and non-city entities of the AWC Trust HCP in the State of Washington joined together by signing an Interlocal 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, 2016, 258 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, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington and 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. In 2016, the AWC Trust HCP purchased 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 60 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.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

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.

K. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following funds:

- ◆ Utility Deposit: funds paid by utility customers. When account is closed, the deposit is applied to the customer's outstanding balance, with the remaining refunded to the customer. As of December 31, 2016 the reserved ending fund balance was \$59,075.
- ◆ CDBG Grant/Home Rehab Project Fund: low/moderate income financing to provide health and safety related home repairs to qualified owner-occupied homeowners. Proceeds are restricted by grant requirements. As of December 31, 2016 the reserved ending fund balance was \$165,112.01
- ◆ DOT Spoil Site Fund: proceeds from sale of dredge materials restricted by deed mandates. Other income includes grant proceeds which are restricted by the granting agency. As of December 31, 2016 the reserved ending fund balance was \$18,990.90
- ◆ Street Fund receives State shared gas tax revenues, which are restricted by Washington State RCW. This fund also includes interfund loan proceeds. Loan funds were used to establish a cash flow for grant funded street projects. As of December 31, 2016 the reserved ending fund balance was \$8,711.26.
- ◆ Building Code Account Fund; restricted by Washington State RCW limiting use to only review or processing of building permits. As of December 31, 2016 the reserved ending fund balance was \$1,521.46.
- ◆ Low Income Housing Fund; proceeds are derived from a portion of the document recording fee and are restricted by Washington State RCW. Funds are intended to for programs assisting low income persons. As of December 31, 2016 the reserved ending fund balance was \$40,453.97.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

- ◆ Exhibit Hall Fund; revenues to support the Visitor Center facility are from lodging tax funds, which are restricted by Washington State RCW. Revenues also include a grant from Cowlitz County in the amount of \$170,000 for construction of a new visitor information center and funds from the Interlocal ‘Big Idea’ Agreement. As of December 31, 2016 the reserved ending fund balance was \$48,627.16.
- ◆ Library Fund; operations are funded from a voter-approved excess levy on property taxes. All proceeds support provision of library services. As of December 31, 2016 the reserved ending fund balance was \$42,076.96.
- ◆ Street Construction Capital Fund; reserved due to grant funding restrictions specific to capital improvement projects included in this fund. In 2016, there were no reserved funds.
- ◆ Water Bond Reserve Fund, Sewer Bond Reserve Fund, Sewer Loan Reserve Fund and Short Lived Asset Reserve Fund: these funds are required to be established as outlined in various loan documents relating to improvements to the Water Treatment and Wastewater Treatment Plant facilities. As of December 31, 2016 the reserved ending fund balance for each respective fund was \$54,076; \$174,262; \$8,245; and \$23,332.
- ◆ Swimming Pool Construction Fund: voter approved funding for construction of a community swimming pool (refer to Note 7, #3). As of December 31, 2016 the reserved ending fund balance was \$72,133.12.
- ◆ Criminal Justice Fund; restricted by Washington State RCW to fund law enforcement functions. As of December 31, 2016 the reserved ending fund balance was \$6,581.62.
- ◆ REET Capital Fund; restricted by Washington State RCW to fund capital projects which are included on the city’s Capital Facility Plan. As of December 31, 2016 the reserved ending fund balance was \$29,098.96.
- ◆ Local Criminal Justice Fund; voter approved 1/10th of 1% sales and use tax to support law enforcement services. As of December 31, 2016 the reserved ending fund balance was \$32,655.33.
- ◆ Drug Enforcement Fund; restricted for law enforcement use only for drug enforcement. As of December 31, 2016 the reserved ending fund balance was \$3,148.40.
- ◆ Public Works Vehicle Replacement Fund; restricted for purchase of capital vehicle or equipment needs for the Public Works Department. As of December 31, 2016 the reserved ending fund balance was \$50,716.
- ◆ Transportation Benefit District and TBD Capital Project Funds; restricted by ordinance. Funds are to be used for preservation of transportation system needs. Funding is voter-approved additional sales and use tax specific to that use. As of December 31, 2016 the reserved ending fund balances for each was \$88,058.69 and \$3,456.17 respectively.

CITY OF CASTLE ROCK
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

The governing body has not imposed any restrictions or commitments on any other fund balance.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City did not have any investments. Interest and/or dividends earned on banked cash is receipted into the General Fund. Dividends earned for the Transportation Benefit District are receipted into that fund. All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

NOTE 3 - PROPERTY TAX

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

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

The city’s regular levy for the year 2016 was \$2.906079 per \$1,000 on an assessed valuation of \$126,453,041 for a total regular levy of \$367,482.59.

In 2015 voters approved an excess levy to be assessed in 2016 for the purpose of supporting library services. The final levied amount was \$0.498912 per \$1,000 on an assessed valuation of \$124,386,423 for a total additional levy of \$62,058.00.

NOTE 4 - INTERFUND LOANS

The following table displays interfund loan activity during 2016:

Borrowing Fund	Lending Fund	Balance as of 1/1/2016	New Loans	Repayments	Balance
DOT Spoil Site (original amt: \$140,000)	Swimming Pool Construction	\$25,000	\$0	\$5,000	\$20,000
Street Fund (approved amt: \$103,000)	Sewer Bond Reserve Fund	\$14,000	\$0	\$7,000	\$7,000
Street Fund	Swimming Pool Construction	\$85,000	\$0	\$28,333	\$56,667
Total Interfund Loans:		\$124,000	\$0	\$40,333	\$83,667

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#1: Initial terms were a one-year loan, with an interest rate of 1.8% beginning February 1, 2010. Purpose of the loan was to provide equity for the DOT Spoil Site Fund to allow for reimbursable grant funded projects to proceed. One remaining project is still active (boat launch improvements), however partial loan repayments are being made. .

#2: Loan to the Street Fund was approved at \$103,000, to provide for contingency funds during construction projects. The Street Fund only borrowed \$20,000. Term requires interest to be paid at the rate established for investments from the Washington State Investment Pool, for a term of two-years. Payment due January 2016.

#3: Fiscal year 2015; city council approved an interfund loan in the amount of \$85,000 from the Swimming Pool Construction Fund to the Street Fund to offset anticipated cash flow shortages when the city makes payment to Cowlitz County to resolve debt in the amount of \$300,000 from the county's ELF fund. The interfund loan is to be repaid within three years, including interest at the current market rate as set by Washington State Investment Pool, with first loan payment due by February 2016.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for the year ended December 31, 2016.

The debt service requirements for general obligation bonds, revenue bonds, and public works loans are as follows:

	Principal	Interest	Total
2017	\$394,954	\$176,630	\$571,584
2018	\$402,341	\$169,273	\$571,614
2019	\$407,171	\$161,370	\$568,541
2020	\$386,556	\$154,201	\$540,757
2021	\$317,813	\$147,324	\$465,137
2022-2026	\$1,266,125	\$647,910	\$1,914,035
2027-2031	\$831,840	\$506,067	\$1,337,907
2032-2036	\$731,680	\$366,379	\$1,098,059
2037-2041	\$675,402	\$221,576	\$896,978
2042-2046	\$584,082	\$47,580	\$631,662
2047-2051	<u>\$40,904</u>	<u>\$2,803</u>	<u>\$43,707</u>
TOTALS	<u>\$6,038,868</u>	<u>\$2,601,113</u>	<u>\$8,639,981</u>

NOTE 6 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employee Retirement System (PERS 2 and PERS 3) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 2).

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The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Also the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov

At June 30, 2016 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09 was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.005137%	\$275,881
PERS 2/3	.006591%	\$331,852
LEOFF 1	.003782%	(\$39,388)
LEOFF 2	.012628%	(\$73,448)

The city also participates in the LEOFF Plan 2. The legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 7 - OTHER DISCLOSURES

(1) REGIONAL UTILITY SYSTEM AGREEMENT

As of an agreement dated March 31, 1976, the City of Castle Rock and Cowlitz County operate jointly the Regional Water System. The Regional Water System provides water service to the City of Castle Rock and to outlying areas within the county. On December 22, 1999, a new agreement was signed between Cowlitz County and the city, which formed a Castle Rock/Toutle Regional Utility Systems (RUS). This agreement included provisions for the operation, construction and maintenance of both the Wastewater Treatment Plant and the Water Treatment Plant facilities and included definition of the service area and financial obligation to both the city and county entities. The RUS board of directors consists of two members from both the city and county and those members select the fifth member of the board. The RUS board members meet at least annually to review the budget and evaluate budgetary funding contributions for both entities. December, 2009 the city acquired from Cowlitz County the water and sewer infrastructure and customers located on the 'Westside' of the Cowlitz River. As a result, Cowlitz County no longer has any customers where sewer service is provided.

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The City of Castle Rock Public Works Department is responsible for the daily operation of the regional water treatment plant and the city finance office is responsible for the maintenance of budgetary issues. Financial information is recorded in the city's Fund No. 410 Regional Water System and is included in this report. All real or personal property acquired by the entities prior to this agreement remains in the ownership of the jurisdiction in which the property is located.

In this current fiscal year, Cowlitz County contributed \$227,163 and the City of Castle Rock \$322,881.

(2). FIRE DISTRICT AGREEMENT

November, 2005 voters approved annexation of city fire and ambulance services into Cowlitz County Fire Protection District #6. November 28, 2005 an interlocal agreement between the city and Fire District #6 was signed outlining pre and post annexation services, employee status and equipment/building ownership. This agreement also outlines post-annexation fire prevention services for a period of ten years after effective date of annexation.

Two other interlocal agreements between the city and Fire District #6 were entered into as follows:

- An EMS cooperative agreement to allow Cowlitz Fire Protection District #6 to operate under the city's emergency medical service licensing; if the district is not able to obtain licensing. Term of this agreement extended until District #6 received required licensing to operate an emergency ambulance service. Licensing was acquired in 2007.
- Infrastructure agreement to outline continued sharing costs for the telephone system, cable television service and the physical computer network system. In addition, the agreement allows Cowlitz Fire District #6 use of a building for storage of equipment. This agreement may be terminated by providing at least a 30 day written notice in advance of the termination.

(3). VOTER APPROVED SWIMMING POOL CONSTRUCTION FUNDS

In 1986, voters approved a bond measure for issuing \$100,000 of general obligation bonds to be used, along with private trust fund monies, for the purpose of constructing a new municipal swimming pool facility. Both the bond principal and interest were paid out of annual levies in excess of regular property taxes maturing within a maximum term of two years. The general obligation bonds were paid off in 1989, however the city was unable to construct the swimming pool facility before the private trust fund expired.

The city brought this issue before the voters in February 1994 for the purpose of reassigning this money to be used for reconstruction of arterial streets, with the capability of using these monies as matching funds for any future state or federal grants for the construction, remodel or improvement of arterial street projects. Unfortunately, this issue was defeated by a wide margin. The City Council then requested Cowlitz County Auditor and Cowlitz County Treasurer to advise of the feasibility of returning the monies to the tax payers. Cowlitz County determined that manpower costs will exceed any feasibility of returning the monies to the tax payers. In 1995, public hearings were scheduled and an informal survey held to ascertain if the citizens wanted the \$100,000 returned to the taxpayer, or if they wished to have it retained for its original intended use. Citizens participating in the public hearings advised the council to

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retain the money for its intended use. See Note #4 Interfund Loans outlining repayment obligations to this fund.

(4). ADOPTED APPROPRIATIONS EXCEEDED

- Street Construction Capital Fund ending fund balance as of December 31, 2016 denoted a deficit of \$21,017.67 due to year end invoices. This deficit will be resolved in 2017 with payment from the Transportation Benefit District.

(5) ISSUANCE OF NEW DEBT

City council approved the following additional new debt:

- ◆ State of Washington LOCAL Program in the amount of \$60,000 for purchase of a new police vehicle. Term of the loan is 3 years at an interest rate of 1.04809%. The loan was used to reimburse expenses for the 2016 Ford Police Interceptor and associated equipment; resulting in a final principal amount of \$52,635.08.
- ◆ March 2016, Rural Community Assistance Corporation amended the loan agreement to reflect a new repayment schedule. The interest rate will remain at 5%, with the loan amortized over 111 months. This loan funded improvements to the Regional Water Treatment Plant filter system.

(6) LONG TERM DEBT – SCHEDULE 09 DIFFERENCES

Three loans were received from USDA Rural Development in 2015 to fund three separate projects. Schedule 09 reflects expenditure balances based on loan draws taken for each project. These balances differentiate from the loan principal balance amounts reflected on USDA annual statement as follows:

	2015 USDA Rural Development - Series A Loan Amount: \$103,400	2015 USDA Rural Development - Series B Loan Amount: \$220,000	2015 USDA Rural Development – Street Project Loan Amount: \$329,000
USDA Rural Development Statement – Loan Balance	\$99,458	\$211,616	\$317,400
Schedule 09	\$65,184	\$152,356.00	\$311,652

(7). COWLITZ COUNTY REGIONAL TOURISM DEVELOPMENT PARTNERSHIP PROGRAM.

October 2011, the city entered into an Interlocal Agreement with Cowlitz County and the cities of Longview, Kelso, Kalama and Woodland to create and administer a partnership program to promote, acquire, construct or operate tourist related facilities and promotions for each of the participating entities. Annual financial contributions are required of each participating entity over a six-year period. Each participating entity will be entitled to receive proceeds from this ‘pooled’ contribution to support a program or project approved by the Regional Tourism Board of Directors. The city’s annual contribution for fiscal year 2012 through 2017 is \$1,279 and will be funded by Lodging tax revenues. The interlocal agreement was amended in 2014 to make each entity responsible for determining the use of those funds, with final approval from the Big Idea board. Funds for projects are rotated annually between participating agencies to be used for eligible projects. This sharing of lodging tax contributions provides those entities with \$67,676 to fund projects during their assigned project year. Projects must be approved

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by the individual entity and the Big Idea Board. In 2014, the city was eligible to submit projects for the Big Idea allocation. The city's primary project was construction of a new visitor center; which is nearing completion.

(8). FORMATION OF TRANSPORTATION BENEFIT DISTRICT

Castle Rock City Council formed the Castle Rock City Transportation Benefit District (CRTBD) in 2012 to provide adequate funding for ongoing transportation improvements that preserve, maintain and, as appropriate, construct or reconstruct the existing transportation infrastructure of the city, consistent with Chapter 36.73 RCW. November 2012 voters approved an additional sales tax of 2/10th of 1% to fund the CRTBD. Proceeds from that sales tax were not received until 2013. In addition, the City entered into an Interlocal Agreement with CRTBD Board to provide staffing and related support including, but not limited to, legal, financial, planning and engineering services. Ownership of the infrastructure preserved and maintained by CRTBD funds are and shall remain the property of the City of Castle Rock. No joint ventures are included in this agreement.

(9). OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1 retirement system. These benefits include medical, vision, nursing and long-term care. Two retirees received benefits during the year at a cost of \$35,886.54. GASB 43/45 Compliance Report for the AWC Employer Benefit Trust is available through AWC Employee Benefit Trust, 1076 Franklin Street SE, Olympia, WA 98501.

(10) COWLITZ COUNTY/CITY OF CASTLE ROCK INTERLOCAL COOPERATION ACT

In 2016, the city entered into an interlocal agreement with Cowlitz County pursuant to the Interlocal Cooperation Act, chapter 39.34 RCW to provide administrative, or engineering services, construction and maintenance services as requested by the respective agency for a maximum dollar amount for the services not to exceed \$75,000 per calendar year.

(11) CONSTRUCTION COMMITMENT

The city has active construction projects as of December 31, 2016. The projects include:

Project Name:	Spent To Date:	Remaining Commitment
State Route 504/Exit 49 Pedestrian Improvement Project; Dougherty Drive to 300' of Salmon Creek Lane NE	\$69,741 (fiscal 2014 and 2015) Construction began May, 2016	Estimated total project cost is \$582,822 (a)
Regional Water Treatment Plant- Filter Repair	Construction was completed in 2016	Total project cost is \$139,000 (b)
Visitor Center – new construction	\$107,811.76 (2015); included structure shell.	Estimated total project cost is \$217,000 (c)

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Boat Launch – Phase II	\$555,237	\$58,000 (d)
Trenchless Sewer Repair Project – Residential areas	\$69,000 was expended in 2016.	Project extended to 2017 due to issues with retrofitting several sewer mains. Estimated total project cost is \$103,000 (e)

Funding:

a. Funded by a TIB grant in the amount of \$255,646, city matching funds of \$13,456 and a Federal

Highway program grant in the amount of \$263,200. Additional funding: Cowlitz County Parks \$30,000, Cowlitz County Rural Development grant for Wi-Fi services \$12,000, and approximately \$7,000 in contributions from several utility providers (ComCast, Qwest and Cascade Natural Gas). Project proposal includes ADA compliant ramps, multi-use path along both sides of SR504. Initial bids were rejected due to inadequate funding. Engineer amended the bid document and bids were re-solicited in 2016. Reductions to the scope of the project included elimination of the pedestrian crossing, illumination upgrades and landscaping. Project was not accepted as complete until 2017 due to issues regarding ADA signage.

b. Funded by an RCAC loan; the initial scope of this project included repair of the Water Treatment Plant filter system and improvements to the telemetry system. In 2016 bids were solicited which exceeded available funding. City Council awarded bids only for the filter improvement work and did not approve bids for the telemetry upgrades. RCAC approved the amended scope to the loan. The project was completed fall, 2016.

c. Funding includes proceeds from Cowlitz County Rural Development loan in the amount of \$170,000 and Interlocal commitment of lodging tax funds in the amount of \$47,000. Ground preparation is completed by volunteer and city work forces. Includes a pre-fab building constructed on State of Washington Park and Ride property, located at the I-5, Exit 49 on-ramp. Project is expected to increase tourism related interest in local businesses and the Mount Saint Helens corridor through marketing. Project was substantially completed August, 2016.

d. Funded through a grant from Washington State Recreation Conservation Organization grant, contribution from the Port of Longview and Cowlitz County Rural Development funds. Construction was completed in 2012; however permitting mitigations are still being evaluated by Federal agencies. Any additional commitment required of the city will be evaluated once the Federal agencies have completed their review. The Port of Longview contributed an additional \$49,350 to fund engineering services for a hydraulic evaluation at the boat launch to mitigate sand infill and slowing of the current.

e. Funded through a USDA Rural Development Revenue Bond. Project included several improvements to sewer mains within the residential areas.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Castle Rock, Washington was incorporated on June 20, 1890 and operates under the laws of the state of Washington applicable to a non-charter Code City. The city is a general purpose local government and provides public safety, street improvement, parks, library, recreation and general administrative services. The city owns a water system and operates a water treatment plant in a joint venture with Cowlitz County. In addition, the City also owns and operates a sewer system and sewage treatment plant.

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

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

A. Fund Accounting

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:

GOVERNMENTAL FUND TYPES:

General 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.

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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.

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.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government 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 government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the city 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 adopts annual appropriated budgets for the general, special revenue, debt service, capital project, enterprise and agency funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Executive Department	\$65,509	\$54,057.71	\$11,451.29
Municipal Court Department	\$96,600	\$90,570.47	\$6,029.53
Finance Department	\$121,376	\$117,245.13	\$4,130.87
Police Department	\$840,033	\$808,863.07	\$31,169.93
Park Department	\$25,513	\$21,649.56	\$3,863.44
Planning Department	\$37,071	\$37,782.23	(\$711.23)
Non-Department	\$176,190	\$163,574.85	\$12,615.15
Petty Cash/Change Fund	\$0	\$0.00	\$0.00
Street Fund	\$419,884	\$409,027.26	\$10,856.74
Building Code Acct Fund	\$53,538	\$49,600.27	\$3,937.73
City Exhibit Hall Fund	\$240,851	\$131,302.81	\$109,548.19
Library Fund	\$67,951	\$55,399.65	\$12,551.35
Criminal Justice Fund	\$3,367	\$2,503.90	\$863.10
Local Criminal Justice Fund	\$25,355	\$23,692.43	\$1,662.57
Accumulative Reserve Fund	\$0	\$0.00	\$0.00
CDBG Grant Rehab Fund	\$20,800	\$365.20	\$20,434.80
DOT Spoil Site Fund	\$43,665	\$41,399.17	\$2,265.83
Public Works Vehicle Replacement	\$25,000	\$0.00	\$25,000.00
Drug Enforcement Fund	\$148	\$0.00	\$148.00
Low Income Housing Fund	\$0	\$0.00	\$0.00
Swimming Pool Construction Fund	\$85,000	\$85,000.00	\$0.00

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Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
REET Capital Fund	\$11,307	\$11,307.00	\$0.00
Street Construction Capital Fund	\$1,077,694	\$683,550.77	\$394,143.23
Water Department Fund	\$685,206	\$620,055.05	\$65,150.95
Sewer Department Fund	\$963,825	\$927,060.41	\$36,764.59
Regional Water System Fund	\$519,685	\$479,868.66	\$39,816.34
Regional Sewer System Fund	\$662,730	\$659,290.66	\$3,439.34
Stormwater Management Fund	\$125,251	\$102,615.71	\$22,635.29
Stormwater Capital Reserve Fund	\$15,000	\$7,828.95	\$7,171.05
Regional Water Capital Improvement Fund	\$182,800	\$20,464.06	\$162,335.94
Municipal Water Capital Improvement	\$152,538	\$142,505.26	\$10,032.74
Water Bond Reserve	\$0	\$0.00	\$0.00
Sewer Bond Reserve	\$0	\$0.00	\$0.00
Sewer Loan Reserve Fund	\$0	\$0.00	\$0.00
Short Lived Asset Account Fund	\$0	\$0.00	\$0.00
Municipal Sewer Capital Improvement Fund	\$95,880	\$4,335.24	\$91,544.76
Boat Launch Facility Fund	\$64,267	\$61,171.96	\$3,095.04
Amy Thompson Library Trust	\$0	\$0.00	\$0.00
Consumer Deposit	\$9,100	\$6,766.53	\$2,333.47
Transportation Benefit District	\$102,015	\$103,783.94	(\$1,768.94)
TBD Capital Fund	\$0	\$0.00	\$0.00
TOTAL OF ALL FUNDS:	\$7,015,149	\$5,922,637.91	\$1,092,511.09

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Variations include unexpended balances and budgeted ending fund balances. In addition, variations in the Street Construction Fund and Street Fund also include grant-funded projects which were not completed.

Budgeted amounts are authorized to be transferred 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’s legislative body.

For reporting purposes on Statement C-4, activities for the following funds have been included within General Fund totals: General Fund, Petty Cash/Change Fund, Building Code Account Fund, Criminal Justice Fund, Local Criminal Justice Fund, Accumulative Reserve Fund, and Drug Enforcement Fund. Stormwater Management Fund utilities include the Stormwater Fund and the Stormwater Capital Reserve Fund. The following funds are reported within the Utilities Fund; Public Works Vehicle Replacement Fund, Water Fund, Sewer Fund, Regional Water Fund, Regional Sewer Fund, Regional Water Capital Improvement Fund, Municipal Water Capital Improvement Fund, Water Bond Reserve Fund, Sewer Bond Reserve Fund, Sewer Loan Reserve, Short Lived Asset Account Fund, Emergency Repair and Replacement, Municipal Sewer Capital Improvement Fund, and Utility Deposit Fund. The city manages funds for a Transportation Benefit District. Included in those funds are the Transportation Benefit District Fund and TBD Capital Project Fund. All other funds are reported separately.

D. Cash and Investments

See Note 3 *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets of the city are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated as outlined below:

Accruals	Supervisory/ Non-bargaining	Police Bargaining unit	Clerical Bargaining unit	Public Works Bargaining unit
Vacation	280 hours	280 hours	240 hours	240 hours

Bargaining unit employees cannot exceed the maximum accrual hours, without obtaining prior written approval from the department supervisor or mayor. Additional approved time must be used down to the maximum hours within ninety days of the signed approval. Public Works and Clerical bargaining units require any vacation hours accrued in excess of the 240 –hour limit (and not having obtained written approval for the overage) will be paid at the employee’s regular rate of pay in the month following accrual of the excess hours. Supervisory staff and eligible non-bargaining employees may exceed allowable accruals, upon approval by the mayor. For all eligible employees; vacation accruals are payable upon separation or retirement.

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Sick leave may be accumulated as outlined below:

Accruals	Supervisory/ Non-bargaining	Police Bargaining unit	Clerical Bargaining unit	Public Works Bargaining unit
Sick	840 hours	720 hours	720 hours	840 hours

The police bargaining employees accumulating over 720 hours of sick leave shall exchange all additional accumulated sick leave for pay at the rate of fifty-percent (4 hours at regular rate of pay) on the month immediately following any month where accrual limit is exceeded.

Upon separation or retirement supervisory and public works employees do not receive payment (buyout) for unused sick leave. Clerical and police bargaining unit employees receive a buyout of their accumulated sick. Clerical buyout, upon separation is at the rate of 10% of the employee's accumulated sick leave. For police the buyout is 20% of the accumulated sick leave (for employees with less than eleven years of employment) and 25% of the accumulated sick leave (for employees with more than eleven years of employment). Payments are recognized as expenditures when paid. Those discharged for cause shall not be entitled to receive a buyout of their accumulated sick leave.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of either transfers-in or transfers-out between funds or contributions to capital, enterprise or internal service funds to establish or reduce working capital in other funds. Interfund transfers include the following:

From	To:	Amount:
General Fund	Street Fund	\$ 25,810.00
Street Fund	Utility Operating Funds	\$ 3,000.00
REET Fund	Street Capital Fund	\$ 11,307.00
Water-Sewer Utility Funds	Utility Operating Funds	\$104,272.00
Stormwater Utility Funds	Utility Operating Funds	\$ 3,000.00
Stormwater Utility Funds	Stormwater Utility Funds	<u>\$ 20,000.00</u>
Total:		\$167,389.00

I. Risk Management

The City of Castle Rock 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 Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in

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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 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 coverages are 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 insurance 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 per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured 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 & 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 a 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 Interlocal 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.

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following funds:

- ◆ Consumer Deposit: funds paid by utility customers. When account is closed, the deposit is applied to the customer's outstanding balance, with the remaining refunded to the customer. As of December 31, 2015 the reserved ending fund balance was \$56,811.82

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- ◆ CDBG Grant/Home Rehab Project Fund: low/moderate income financing to provide health and safety related home repairs to qualified owner-occupied homeowners. Proceeds are restricted by grant requirements. As of December 31, 2015, the reserved ending fund balance was \$165,112.01
- ◆ DOT Spoil Site Fund: proceeds from sale of dredge materials restricted by deed mandates. Other income includes grant proceeds which are restricted by the granting agency. As of December 31, 2015 the reserved ending fund balance was \$21,374.41
- ◆ Street Fund receives State shared gas tax revenues, which are restricted by Washington State RCW. This fund also includes interfund loan proceeds in the amount of \$20,000. Loan funds were used to establish a cash flow for grant funded street projects. As of December 31, 2015 the reserved ending fund balance was \$45,777.47.
- ◆ Building Code Account Fund; restricted by Washington State RCW limiting use to only review or processing of building permits. As of December 31, 2015 the reserved ending fund balance was \$20,719.94.
- ◆ Low Income Housing Fund; proceeds are derived from a portion of the document recording fee and are restricted by Washington State RCW. Funds are intended to for programs assisting low income persons. As of December 31, 2015 the reserved ending fund balance was \$37,453.97.
- ◆ Exhibit Hall Fund; revenues to support this facility are from lodging tax funds, which are restricted by Washington State RCW. Revenues also include a grant from Cowlitz County in the amount of \$170,000 for construction of a new visitor information center and funds from the Interlocal 'Big Idea' Agreement. As of December 31, 2015 the reserved ending fund balance was \$64,361.14.
- ◆ Library Fund; operations are funded from a voter-approved excess levy on property taxes. All proceeds support provision of library services. As of December 31, 2015 the reserved ending fund balance was \$40,969.21.
- ◆ Street Construction Capital Fund; reserved due to grant funding restrictions specific to capital improvement projects included in this fund. As of December 31, 2015 the reserved ending fund balance was \$64,834.63.
- ◆ Water Bond Reserve Fund, Sewer Bond Reserve Fund, Sewer Loan Reserve Fund and Short Lived Asset Reserve Fund: these funds are required to be established as outlined in various loan documents relating to improvements to the Water Treatment and Wastewater Treatment Plant facilities. As of December 31, 2015 the reserved ending fund balance for each respective fund was \$48,400; \$149,300.62; \$6,596; and \$19,998.
- ◆ Swimming Pool Construction Fund: voter approved funding for construction of a community swimming pool (refer to Note 7, #3). As of December 31, 2015 the reserved ending fund balance was \$38,377.33.

CITY OF CASTLE ROCK
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- ◆ Criminal Justice Fund; restricted by Washington State RCW to fund law enforcement functions. As of December 31, 2015 the reserved ending fund balance was \$12,318.24.
- ◆ REET Capital Fund; restricted by Washington State RCW to fund capital projects which are included on the city's Capital Facility Plan. As of December 31, 2015 the reserved ending fund balance was \$16,357.73.
- ◆ Local Criminal Justice Fund; voter approved 1/10th of 1% sales and use tax to support law enforcement services. As of December 31, 2015 the reserved ending fund balance was \$23,937.26.
- ◆ Drug Enforcement Fund; restricted for law enforcement use only for drug enforcement. As of December 31, 2015 the reserved ending fund balance was \$3,148.40.
- ◆ Public Works Vehicle Replacement Fund; restricted for purchase of capital vehicle or equipment needs for the Public Works Department. As of December 31, 2014 the reserved ending fund balance was \$52,715.94.
- ◆ Transportation Benefit District and TBD Capital Project Funds; restricted by ordinance. Funds are to be used for preservation of transportation system needs. Funding is voter-approved additional sales and use tax specific to that use. As of December 31, 2015 the reserved ending fund balances for each was \$30,753.89 and \$3,456.17 respectively.

The governing body has not imposed any restrictions or commitments on any other fund balance.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City did not have any investments. Interest and/or dividends earned on banked cash is receipted into the General Fund. Dividends earned for the Transportation Benefit District are receipted into that fund. All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

NOTE 3 - PROPERTY TAX

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

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

The city's regular levy for the year 2015 was \$2.873796 per \$1,000 on an assessed valuation of \$126,606,824 for a total regular levy of \$363,842.22.

In 2014 voters approved an excess levy to be assessed in 2015 for the purpose of supporting library services. The final levied amount was \$0.473907 per \$1,000 on an assessed valuation of \$124,117,137 for a total additional levy of \$58,820.00.

CITY OF CASTLE ROCK
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NOTE 4 - INTERFUND LOANS

The following table displays interfund loan activity during 2015:

Borrowing Fund	Lending Fund	Balance as of 1/1/2015	New Loans	Repayments	Balance
DOT Spoil Site (original amt: \$140,000)	Swimming Pool Construction	\$40,000	\$0	\$15,000	\$25,000
Street Fund (approved amt: \$103,000)	Sewer Bond Reserve Fund	\$20,000	\$0	\$6,000	\$14,000
Street Fund	Swimming Pool Construction	\$0	\$85,000	\$0	\$85,000
Total Interfund Loans:		\$60,000	\$85,000	\$21,000	\$124,000

#1: Initial terms were a one-year loan, with an interest rate of 1.8% beginning February 1, 2010. Purpose of the loan was to provide equity for the DOT Spoil Site Fund to allow for reimbursable grant funded projects to proceed. One remaining project is still active (boat launch improvements), however partial loan repayments are being made. The 2015 adopted budget includes additional repayment of \$15,000, including interest. Grant project for this fund will continue into 2015, and it is the city's intent to repay the loan once the project is completed.

#2: Loan to the Street Fund was approved at \$103,000, to provide for contingency funds during the construction projects. The Street Fund only borrowed \$20,000. Term requires interest to be paid at the rate established for investments from the Washington State Investment Pool, for a term of two-years. Payment due January 2016.

#3: Fiscal year 2015; city council approved an interfund loan in the amount of \$85,000 from the Swimming Pool Construction Fund to the Street Fund to offset anticipated cash flow shortages when the city makes payment to Cowlitz County to resolve debt in the amount of \$300,000 from the county's ELF fund. The interfund loan is to be repaid within three years, including interest at the current market rate as set by Washington State Investment Pool, with first loan payment due by February 2016.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for the year ended December 31, 2015.

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The debt service requirements for general obligation bonds, revenue bonds, and public works loans are as follows:

	Principal	Interest	Total
2016	\$382,839	\$174,345	\$557,184
2017	\$380,301	\$174,205	\$554,506
2018	\$384,052	\$167,941	\$551,993
2019	\$387,962	\$160,712	\$548,674
2020	\$386,729	\$154,388	\$541,117
2021-2025	\$1,355,434	\$677,991	\$2,033,425
2026-2030	\$903,709	\$531,578	\$1,435,287
2031-2035	\$776,416	\$664,565	\$1,420,981
2036-2040	\$648,077	\$248,903	\$896,980
2041-2045	\$721,348	\$90,251	\$811,599
2046-2050	\$45,330	<u>\$3,205</u>	<u>\$48,535</u>
TOTALS	<u>\$6,372,197</u>	<u>\$3,048,084</u>	<u>\$9,420,281</u>

NOTE 6 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employee Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Also the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov

At June 30, 2015 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09 was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.005275%	\$275,932
PERS 2/3	.006820%	\$243,682
LEOFF 1	.003782%	(\$45,581)
LEOFF 2	.013528%	(\$139,041)

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The city also participates in the LEOFF Plan 2. The legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 7 - OTHER DISCLOSURES

(1) HEALTH AND WELFARE

City of Castle Rock 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 Interlocal 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 Interlocal 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 Interlocal 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 HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
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minimum of 12 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 6 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 60 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.

(2) REGIONAL UTILITY SYSTEM AGREEMENT

As of an agreement dated March 31, 1976, the City of Castle Rock and Cowlitz County operate jointly the Regional Water System. The Regional Water System provides water service to the City of Castle Rock and to outlying areas within the county. On December 22, 1999, a new agreement was signed between Cowlitz County and the city, which formed a Castle Rock/Toutle Regional Utility Systems (RUS). This agreement included provisions for the operation, construction and maintenance of both the Wastewater Treatment Plant and the Water Treatment Plant facilities and included definition of the service area and financial obligation to both the city and county entities. The RUS board of directors consists of two members from both the city and county and those members select the fifth member of the board. The RUS board members meet at least annually to review the budget and evaluate budgetary funding contributions for both entities. December, 2009 the city acquired from Cowlitz County the water and sewer infrastructure and customers located on the 'Westside' of the Cowlitz River. As a result, Cowlitz County no longer has any customers where sewer service is provided.

The City of Castle Rock Public Works Department is responsible for the daily operation of the regional water treatment plant and the city finance office is responsible for the maintenance of budgetary issues.

Financial information is recorded in the city's Fund No. 410 Regional Water System and is included in this report.

CITY OF CASTLE ROCK
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

All real or personal property acquired by the entities prior to this agreement remains in the ownership of the jurisdiction in which the property is located.

In this current fiscal year, Cowlitz County contributed \$200,237 and the City of Castle Rock \$260,142.

(3). FIRE DISTRICT AGREEMENT

November, 2005 voters approved annexation of city fire and ambulance services into Cowlitz County Fire Protection District #6. November 28, 2005 an interlocal agreement between the city and Fire District #6 was signed outlining pre and post annexation services, employee status and equipment/building ownership. This agreement also outlines post-annexation fire prevention services for a period of ten years after effective date of annexation. In 2015, the city entered began negotiations with Fire District #6 pertaining to fire prevention services. As of December, 2015; no formal agreement has been reached.

Two other interlocal agreements between the city and Fire District #6 were entered into as follows:

- An EMS cooperative agreement to allow Cowlitz Fire Protection District #6 to operate under the city's emergency medical service licensing; if the district is not able to obtain licensing. Term of this agreement extended until District #6 received required licensing to operate an emergency ambulance service. Licensing was acquired in 2007.

- Infrastructure agreement to outline continued sharing costs for the telephone system, cable television service and the physical computer network system. In addition, the agreement allows Cowlitz Fire District #6 use of a building for storage of equipment. This agreement may be terminated by providing at least a 30 day written notice in advance of the termination.

(4). VOTER APPROVED SWIMMING POOL CONSTRUCTION FUNDS

In 1986, voters approved a bond measure for issuing \$100,000 of general obligation bonds to be used, along with private trust fund monies, for the purpose of constructing a new municipal swimming pool facility. Both the bond principal and interest were paid out of annual levies in excess of regular property taxes maturing within a maximum term of two years. The general obligation bonds were paid off in 1989, however the city was unable to construct the swimming pool facility before the private trust fund expired.

The city brought this issue before the voters in February 1994 for the purpose of reassigning this money to be used for reconstruction of arterial streets, with the capability of using these monies as matching funds for any future state or federal grants for the construction, remodel or improvement of arterial street projects. Unfortunately, this issue was defeated by a wide margin. The City Council then requested Cowlitz County Auditor and Cowlitz County Treasurer to advise of the feasibility of returning the monies to the tax payers. Cowlitz County determined that manpower costs will exceed any feasibility of returning the monies to the tax payers.

In 1995, public hearings were scheduled and an informal survey held to ascertain if the citizens wanted the \$100,000 returned to the taxpayer, or if they wished to have it retained for its original intended use. Citizens participating in the public hearings advised the council to retain the money for its intended use.

See Note #4 Interfund Loans outlining repayment obligations to this fund.

CITY OF CASTLE ROCK
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

(5). ADOPTED APPROPRIATIONS EXCEEDED

- Planning Department (General Fund) – overage of \$711.23 for planning services.
- Transportation Benefit District – overage of \$1,768.94 resulted from December invoice received from the city for street related projects.

(6) ISSUANCE OF NEW DEBT

May, 2015, city council approved resolutions for the following additional new debt:

- ◆ USDA Rural Development Community Facilities loan in the amount of \$329,000 to fund various residential street overlay projects. Payments will be semi-annually in the amount of \$11,509, for a period of 20 years, at an interest rate of 3.5%. Loan payments will be paid from the Transportation Benefit District
- ◆ USDA Rural Development in the amount of \$103,000 to upgrade several sewer system lines throughout the city. Payments will be semi-annually in the amount of \$3,379, for a period of 20 years, at an interest rate of 2.75%. Loan to be secured by a revenue bond.
- ◆ USDA Rural Development in the amount of \$220,000 to fund upgrades of several water system lines throughout the city and to complete upgrades to the city’s meter system to allow for radio read capabilities. Payments will be semi-annually in the amount of \$7,188, for a period of 20 years, at an interest rate of 2.75%. Loan to be secured by a revenue bond.
- ◆ Rural Community Assistance Corporation in the amount of \$135,000 for a term of 10 years to fund improvements to the Regional Water Treatment Plant filter system.
- ◆ New debt received from USDA Rural Development fund three separate projects. Schedule 09 reflects expenditure balances based on loan draws taken for each project. These balances differentiate from the loan principal balance amounts reflected on USDA annual statement as follows:

	2015 USDA Rural Development - Series A Loan Amount: \$103,400	2015 USDA Rural Development - Series B Loan Amount: \$220,000	2015 USDA Rural Development – Street Project Loan Amount: \$329,000
USDA Rural Development Statement – Loan Balance	\$103,400	\$220,000	\$166,340
Schedule 09	\$0	\$160,740	\$329,000

(7). COWLITZ COUNTY ELF LOAN

December, 2011 the city council entered into an Interlocal Agreement with Cowlitz County authorizing a loan to the city in the amount of \$300,000 to fund remaining construction costs for Cowlitz Street West project. Repayment of was due, in full, on or before December 31, 2013, including any accrued interest costs. Since this project has not been completed, the city requested an extension to December 31, 2014. This extension was approved by Cowlitz County Board of Commissioners in 2014. The city repaid this loan in 2016. To provide cash flow within the Street Fund; the city approved an \$85,000 interfund loan from the Swimming Pool Construction Fund. (See Note 4; Interfund loans)

CITY OF CASTLE ROCK
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(8). COWLITZ COUNTY REGIONAL TOURISM DEVELOPMENT PARTNERSHIP PROGRAM.

October 2011, the city entered into an Interlocal Agreement with Cowlitz County and the cities of Longview, Kelso, Kalama and Woodland to create and administer a partnership program to promote, acquire, construct or operate tourist related facilities and promotions for each of the participating entities. Annual financial contributions are required of each participating entity over a six-year period. Each participating entity will be entitled to receive proceeds from this 'pooled' contribution to support a program or project approved by the Regional Tourism Board of Directors. The city's annual contribution for fiscal year 2012 through 2017 is \$1,279 and will be funded by Lodging tax revenues. The interlocal agreement was amended in 2014 to make each entity responsible for determining the use of those funds, with final approval from the Big Idea board.

Funds for projects are rotated annually between participating agencies to be used for eligible projects. This sharing of lodging tax contributions provides those entities with \$67,676 to fund projects during their assigned project year. Projects must be approved by the individual entity and the Big Idea Board. In 2014, the city was eligible to submit projects for the Big Idea allocation. One primary project was construction of a new visitor center. Due to several delays in this project; the Big Idea Board approved extension of this project to December, 2015.

(9). FORMATION OF TRANSPORTATION BENEFIT DISTRICT

Castle Rock City Council formed the Castle Rock City Transportation Benefit District (CRTBD) in 2012 to provide adequate funding for ongoing transportation improvements that preserve, maintain and, as appropriate, construct or reconstruct the existing transportation infrastructure of the city, consistent with Chapter 36.73 RCW. November 2012 voters approved an additional sales tax of 2/10th of 1% to fund the CRTBD. Proceeds from that sales tax were not received until 2013. In addition, the City entered into an Interlocal Agreement with CRTBD Board to provide staffing and related support including, but not limited to, legal, financial, planning and engineering services. Ownership of the infrastructure preserved and maintained by CRTBD funds are and shall remain the property of the City of Castle Rock. No joint ventures are included in this agreement.

(10). OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1 retirement system. These benefits include medical, vision, nursing and long-term care. Two retirees received benefits during the year at a cost of \$28,613.55. GASB 43/45 Compliance Report for the AWC Employer Benefit Trust is available through AWC Employee Benefit Trust, 1076 Franklin Street SE, Olympia, WA 98501.

(11) COWLITZ COUNTY/CITY OF CASTLE ROCK INTERLOCAL COOPERATION ACT

In 2016, the city entered into an interlocal agreement with Cowlitz County pursuant to the Interlocal Cooperation Act, chapter 39.34 RCW to provide administrative, or engineering services, construction and maintenance services as requested by the respective agency for a maximum dollar amount for the services not to exceed \$75,000 per calendar year.

CITY OF CASTLE ROCK
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

(12) CONSTRUCTION COMMITMENT

The city has active construction projects as of December 31, 2015. The projects include:

Project Name:	Spent To Date:	Remaining Commitment
State Route 504/Exit 49 Pedestrian Improvement Project; Dougherty Drive to 300' of Salmon Creek Lane NE	\$69,741 (fiscal 2014 and 2015) Construction began May, 2016	Estimated total project cost is \$582,822 (a)

Project Name:	Spent To Date:	Remaining Commitment
Regional Water Treatment Plant- Filter Repair	\$7856.41 Construction began in 2016	Estimated total project cost is \$139,000 (b)
Visitor Center – new construction	\$107,811.76 (2015); included structure shell.	Estimated total project cost is \$217,000 (c)
Boat Launch –Phase II	\$555,237	\$58,000 (d)
Trenchless Sewer Repair Project – Residential areas	\$10,949; project to be completed in 2016	Estimated total project cost is \$103,000 (e)

Funding:

a. Funded by a TIB grant in the amount of \$255,646, city matching funds of \$13,456 and a Federal Highway program grant in the amount of \$263,200. Additional funding: Cowlitz County Parks \$30,000, Cowlitz County Rural Development grant for Wi-Fi services \$12,000, and approximately \$7,000 in contributions from several utility providers (ComCast, Qwest and Cascade Natural Gas). Project proposal includes ADA compliant ramps, multi-use path along both sides of SR504. Initial bids were rejected due to inadequate funding. Engineer amended the bid document and bids were re-solicited in 2016. Reductions to the scope of the project included elimination of the pedestrian crossing, illumination upgrades and landscaping. Project is expected to be completed July, 2016.

b. Funded by an RCAC loan; the initial scope of this project included repair of the Water Treatment Plant filter system and improvements to the telemetry system. In 2016 bids were solicited which exceeded available funding. City Council awarded bids only for the filter improvement work and did not approve bids for the telemetry upgrades. RCAC approved the amended scope to the loan. The project is expected to be completed summer, 2016.

c. Funding includes proceeds from Cowlitz County Rural Development loan in the amount of \$170,000

CITY OF CASTLE ROCK
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and Interlocal commitment of lodging tax funds in the amount of \$47,000. Ground preparation will be completed by volunteer and city work forces. Includes a pre-fab building to be constructed on State of Washington Park and Ride property, located at the I-5, Exit 49 on-ramp. Project is expected to increase tourism related interest in local businesses and the Mount Saint Helens corridor through marketing. Project to be completed June, 2016.

d. Funded through a grant from Washington State Recreation Conservation Organization grant, contribution from the Port of Longview and Cowlitz County Rural Development funds. Construction was completed in 2012; however permitting mitigations are still being evaluated by Federal agencies. Any additional commitment required of the city will be evaluated once the Federal agencies have completed their review. The city continues to seek additional funding options for mitigation costs.

e. Funded through a USDA Rural Development Revenue Bond. Project included several improvements to sewer mains within the residential areas.

**City of Castle Rock
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Lease/Purchase 2013 Police Vehicle	4/30/2016	16,657	-	16,656	1
263.85	Cowlitz County Rural Facilities Loan	1/31/2020	20,718	-	5,102	15,616
251.11	USDA RDA Limited Tax, 2015	9/25/2035	329,000	-	17,348	311,652
263.96	State of WA; LOCAL Program	6/1/2019	-	52,635	-	52,635
Total General Obligation Debt/Liabilities:			366,375	52,635	39,106	379,904
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	USDA RDA Revenue Bond, 2009	1/1/2049	274,718	-	4,422	270,296
252.11	USDA RDA Revenue Bond, 2015, Series B	9/25/2035	160,740	-	8,384	152,356
252.11	USDA RDA Revenue Bond, 2005, Series B	1/1/2045	575,904	-	9,657	566,247
252.11	USDA RDA Revenue Bond, 2015, Series A	9/25/2035	-	69,126	3,942	65,184
263.88	PWB Loan# PC 13-961-041	6/1/2032	412,650	-	24,274	388,376
259.12	Vacation Accrual Liability		104,450	-	1,719	102,731
259.12	Compensatory Accrual Liability		12,296	8,218	-	20,514
259.12	Sick Leave Accrual Liability		18,358	4,472	-	22,830
264.30	Net Pension Liability		519,614	88,119	-	607,733
263.88	PWTF Loan #PW-01-691-010	7/1/2021	417,803	-	69,634	348,169
263.88	PWTF Loan #PW-00-691-012	7/1/2020	197,678	-	39,535	158,143
252.11	USDA RDA Revenue Bond, 2005, Series A	1/1/2045	2,110,199	-	35,383	2,074,816
263.92	Rural Communities Assistance Corp Loan/2015	12/31/2025	138,643	-	-	138,643
263.88	PWB Loan# PW-05-691-008	7/1/2025	241,315	-	24,132	217,183
263.84	DWSRF Loan# 99-651-99-012	10/1/2020	168,493	-	33,698	134,795
263.84	DWSRF Loan# 06-96300-003	10/1/2027	1,145,022	-	95,418	1,049,604
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,497,883	169,935	350,198	6,317,620
Total Liabilities:			6,864,258	222,570	389,304	6,697,524

**City of Castle Rock
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Lease/Purchase 2013 Police Vehicle	4/30/2016	32,370	-	15,713	16,657
263.81	Cowlitz County Rural Facilities Loan	1/31/2020	25,770	-	5,052	20,718
263.81	Cowlitz County ELF Loan/Cowlitz Street	12/31/2014	300,000	-	300,000	-
251.11	USDA RDA Limited Tax, 2015	9/25/2035	-	329,000	-	329,000
Total General Obligation Debt/Liabilities:			358,140	329,000	320,765	366,375
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	USDA RDA Revenue Bond, 2009	1/1/2049	278,988	-	4,270	274,718
263.82	DWSRF Loan #99-651-99-012	10/1/2020	202,191	-	33,698	168,493
263.82	DWSRF Loan #06-96300-003	10/1/2027	1,240,440	-	95,418	1,145,022
263.82	PWB Loan #PW-00-691-012	7/1/2020	237,213	-	39,535	197,678
263.82	PWB Loan #PW-01-691-010	7/1/2021	487,437	-	69,634	417,803
263.82	PWB Loan #PW-05-691-008	7/1/2025	265,446	-	24,131	241,315
263.92	Rural Communities Assistance Corp Loan/2015	12/31/2025	-	138,643	-	138,643
252.11	USDA RDA Revenue Bond, 2015, Series B	9/25/2035	-	160,740	-	160,740
252.11	USDA RDA Revenue Bond, 2005, Series A	1/1/2045	2,144,041	-	33,842	2,110,199
252.11	USDA RDA Revenue Bond, 2005, Series B	1/1/2045	585,141	-	9,237	575,904
264.30	Net Pension Liability		-	519,614	-	519,614
259.12	Vacation Accrual Liability		111,878	2,417	9,845	104,450
259.12	Compensatory Accrual Liability		7,727	4,569	-	12,296
259.12	Sick Leave Accrual Liability		13,827	4,531	-	18,358
263.82	PWB Loan #PC13-961-041	6/1/2032	433,371	3,553	24,274	412,650
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,007,700	834,067	343,884	6,497,883
Total Liabilities:			6,365,840	1,163,067	664,649	6,864,258

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	
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