



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements Audit Report**

# **City of Forks**

**Clallam County**

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

**Published February 23, 2015**

**Report No. 1013658**





## Washington State Auditor Troy Kelley

February 23, 2015

Mayor and City Council  
City of Forks  
Forks, Washington

### Report on Financial Statements

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

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

Sincerely,

TROY KELLEY  
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 Forks  
Clallam County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Forks  
Forks, 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 Forks, Clallam County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 11, 2015.

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

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

February 11, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Forks Clallam County January 1, 2013 through December 31, 2013

Mayor and City Council  
City of Forks  
Forks, Washington

### REPORT ON THE FINANCIAL STATEMENTS

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

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

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

#### Auditor's Responsibility

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

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

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Forks 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 Forks, for the year ended December 31, 2013, on the basis of accounting described in Note .

### **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 , 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 Forks, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



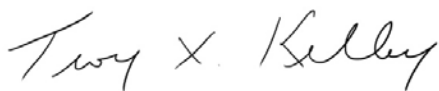
## Other Matters

### *Supplementary and Other Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

February 11, 2015

## **FINANCIAL SECTION**

**City of Forks  
Clallam County  
January 1, 2013 through December 31, 2013**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
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### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense	101 Street	103 Seized Property Fund
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	147,821	0	0	2,103
30880	Beg Fund Bal-Unreserved	1,227,014	277,276	1,582	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	1,351,077	1,063,077	155,876	0
320	Licenses & Permits	28,861	28,861	0	0
330	Intergovernmental Revenues	398,738	151,157	73,396	0
340	Charges for Goods and Services	1,538,166	387,025	0	0
350	Fines & Penalties	46,973	46,973	0	0
360	Miscellaneous Revenues	261,322	34,149	89	0
<b>Total Operating Revenues:</b>		<b>3,625,136</b>	<b>1,711,242</b>	<b>229,361</b>	
<b>Operating Expenditures</b>					
510	General Government	527,955	237,503	0	0
520	Public Safety	1,457,765	1,457,765	0	0
530	Utilities	789,869	0	0	0
540	Transportation	196,938	0	108,782	0
550	Natural and Economic Environment	135,063	49,615	0	0
560	Social Services	6,000	6,000	0	0
570	Culture And Recreation	210,885	39,229	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>3,324,475</b>	<b>1,790,112</b>	<b>108,782</b>	
<b>Net Operating Increase (Decrease):</b>		<b>300,662</b>	<b>-78,870</b>	<b>120,579</b>	<b>0</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	399,516	7,862	3,223	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	99,143	0	14,000	0
<b>Total Nonoperating Revenues:</b>		<b>498,659</b>	<b>7,862</b>	<b>17,223</b>	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	35,747	6,108	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	352,058	0	0	0
597	Transfers-Out	99,143	600	28,367	0
<b>Total Nonoperating Expenditures:</b>		<b>486,948</b>	<b>6,708</b>	<b>28,367</b>	
<b>Increase (Decrease) in Cash and Investments</b>		<b>312,373</b>	<b>-77,716</b>	<b>109,435</b>	<b>0</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	275,747	0	0	2,103
50880	End Fund Balance-Unreserved	1,411,459	199,561	111,015	0

The accompanying notes are an integral part of this Statement.

BARS Code		140 Lodging Tax Fund	150 Transit Center Fund	301 TIB Projects	304 Capital Improvement
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	168,914	0	0	0
30880	Beg Fund Bal-Unreserved	0	930	23,683	82,027
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	122,222	0	0	9,902
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	143,079	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	273	11,943	0	133
Total Operating Revenues:		122,496	11,943	143,079	10,035
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	23,018	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	95,667	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		95,667	23,018		
Net Operating Increase (Decrease):		26,829	-11,075	143,079	10,035
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	65,136	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	7,340	52,785	0
Total Nonoperating Revenues:			72,476	52,785	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	70	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	59,468	159,236	6,820
597	Transfers-Out	7,340	0	38,418	0
Total Nonoperating Expenditures:		7,340	59,538	197,654	6,820
Increase (Decrease) in Cash and Investments		19,489	1,863	-1,790	3,215
Ending Cash and Investments					
50810	End Fund Bal-Reserved	188,403	0	0	85,242
50880	End Fund Balance-Unreserved	0	2,793	21,893	0

The accompanying notes are an integral part of this Statement.

BARS Code		310 Grant/Constructio n Fund	340 Russell Road Improvement Fund	400 Water	402 Sewer
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	-23,196	0	0
30880	Beg Fund Bal-Unreserved	7,694	0	155,594	156,901
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	31,105	0	0
340	Charges for Goods and Services	0	0	856,330	294,811
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	0	4,013	595
Total Operating Revenues:			31,105	860,342	295,406
Operating Expenditures					
510	General Government	0	0	222,014	28,501
520	Public Safety	0	0	0	0
530	Utilities	0	0	526,462	263,407
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:				748,476	291,908
Net Operating Increase (Decrease):		0	31,105	111,867	3,498
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	24,418	300	300
Total Nonoperating Revenues:			24,418	300	300
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	943	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	6,831	0	0
597	Transfers-Out	0	24,418	0	0
Total Nonoperating Expenditures:			31,249	943	
Increase (Decrease) in Cash and Investments		0	24,274	111,224	3,798
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	7,694	1,078	266,818	160,699

The accompanying notes are an integral part of this Statement.

BARS Code		410 Airport/Industrial Park	412 Quillayute Airport	505 Travel
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	419,647	97,679	4,000
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	208,660	1,468	0
Total Operating Revenues:		208,660	1,468	
Operating Expenditures				
510	General Government	39,937	0	0
520	Public Safety	0	0	0
530	Utilities	0	0	0
540	Transportation	56,490	8,648	0
550	Natural and Economic Environment	85,449	0	0
560	Social Services	0	0	0
570	Culture And Recreation	75,989	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		257,864	8,648	
Net Operating Increase (Decrease):		-49,204	-7,180	0
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	323,126	170	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	0	0
Total Nonoperating Revenues:		323,126	170	
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	28,415	212	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	119,703	0	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		148,117	212	
Increase (Decrease) in Cash and Investments		125,804	-7,222	0
Ending Cash and Investments				
50810	End Fund Bal-Reserved	0	0	0
50880	End Fund Balance-Unreserved	545,451	90,457	4,000

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	600 Jail Commissary
308	Beginning Cash and Investments	16,019	16,019
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
380-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	4,223	4,223
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		-4,223	-4,223
508	Ending Cash and Investments	11,796	11,796

*The accompanying notes are an integral part of this Statement.*

**City of Forks**  
**Notes to the Financial Statements**  
**January 1, 2013 through December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies**

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

The City of Forks was incorporated on August 7, 1945 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Forks is a general purpose government and provides public safety, street improvements, parks and general administrative services. In addition, the City operates a water and wastewater utility, airport facilities and an industrial development park. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Forks:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund (001)**

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

**Special Revenue Funds (100-199)**

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

**Capital Projects Funds (300-399)**

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 (400-499)**

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 City in a trustee capacity or as an agent on behalf of others.

### Private-Purpose Trust Funds

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

### Agency Funds (631-699)

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

## B. Basis of Accounting

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

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

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

## C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense Fund	\$1,800,000	\$1,796,820	\$ 3,180
Street Fund	\$ 231,000	\$ 137,149	\$ 93,851
Lodging Tax Fund	\$ 110,000	\$ 103,007	\$ 6,993
Airport Industrial Park Fund	\$ 410,000	\$ 405,981	\$ 4,019
Water Utility Fund	\$ 790,000	\$ 749,419	\$ 40,581
Sewer Utility Fund	\$ 297,000	\$ 291,908	\$ 5,092
Capital Fund	\$ 88,000	\$ 6,820	\$ 81,180
Transit Center Fund	\$ 86,000	\$ 82,556	\$ 3,444
Quillayute Airport Fund	\$ 12,000	\$ 8,860	\$ 3,140
Industrial Park Development	\$ 4,000	\$ -0-	\$ 4,000
Search & Rescue Fund	\$ 3,000	\$ -0-	\$ 3,000
Seized Property Fund	\$ 5,000	\$ -0-	\$ 5,000
Donation Program Fund	\$ 20,000	\$ -0-	\$ 20,000
Community Action Housing	\$ 40,000	\$ -0-	\$ 40,000
Grant/Construction Fund	\$ 100,000	\$ -0-	\$ 100,000
TIB Projects	\$ 240,000	\$ 228,903	\$ 11,097
TOTALS	\$4,236,000	\$3,811,423	\$ 424,577

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

D. Cash

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

E. Deposits

The City deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$4,000 and an estimated useful life in excess of five years. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

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

Sick leave may be accumulated up to 1,200 hours. Upon retirement employees receive payment for 30% of unused sick leave. For non-retirement separation, employees receive payment for 10% of unused sick leave.

I. Long-Term Debt

As of December 31, 2013 the City of Forks has no long-term debt.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of special assessment bond proceeds.

K. Risk Management

The City of Forks 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 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, 2013, 91 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 reinsurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million in coverage limits, an excess liability policy is purchased from CV Starr. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA has a retention of \$50,000 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 200.100.0203, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

## L. Reserved Fund Balance

The City of Forks has the following funds reserved:

- 103 Seized Property Fund per RCW 69.50.505
- 140 Lodging Tax Fund per RCW 67.28.1815
- 304 Capital Improvement Fund per RCW 82.46.030

## Note 2 - Investments

The City's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at cost.

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

<u>Type of Investment</u>	① City's own investments	② Investments held by the City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	<u>\$1,315,000</u>	<u>                    </u>	<u>\$1,315,000</u>
U.S. Government Securities	<u>                    </u>	<u>                    </u>	<u>                    </u>
Other: <u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$1,315,000</u>	<u>\$                    </u>	<u>\$1,315,000</u>

## 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 the 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 2013 was \$2.08277 per \$1,000 on an assessed valuation of \$154,644,448 for a total regular levy of \$322,088.

## Note 4 - Interfund Loans

There was no interfund loan balance or activity in 2013.

## Note 5 - Pension Plans

Substantially all of the City's full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS) Plan 1, 2 or 3 or in the Public Safety Employee's Retirement System (PSERS) or in the Law Enforcement and Fire Fighters (LEOFF) Plan 2 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

**Note 6 - Other Disclosures**

A. LEOFF 1 Retirement Benefits

The City of Forks has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, dental, vision and long-term care insurance and out-of-pocket reimbursements. Two retirees received benefits during the year and \$20,073 was paid out for those benefits during the year.

B. Extraordinary Event

The City-owned Rainforest Arts Center was destroyed in a fire on October 29, 2012. A claim was filed with the City's insurance pool AWC/RMSA for replacement of the facility in the amount of \$2.6 million. A contract for construction was signed April 4, 2014. Expenditures related to the claim and insurance receipts totaled \$101,310.84 in 2013 and approximately \$217,000 in 2014. Insurance proceeds were initially transmitted to the City on a reimbursement basis until August of 2014 when AWC/RMSA made a lump sum payment of \$958,000 in Actual Cash Value proceeds. The remainder of Replacement Cost Value is expected to be paid in 2015, near the April 18<sup>th</sup> opening of the facility.

**City of Forks**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2013**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligations</b>						
259.11	Compensated Absences	12/31/2013	49,929	5,251	-	55,180
	<b>Total General Obligations:</b>		<b>49,929</b>	<b>5,251</b>	<b>-</b>	<b>55,180</b>
<b>Revenue Obligations</b>						
259.12	Proprietary Compensated Absences (Water)	12/31/2013	49,522	3,595	-	53,117
259.12	Proprietary Compensated Absences (Sewer)	12/31/2013	29,998	(1,270)	-	28,728
259.12	Proprietary Compensated Absences (AP/IP)	12/31/2013	8,595	90	-	8,685
	<b>Total Revenue Obligations:</b>		<b>88,115</b>	<b>2,415</b>	<b>-</b>	<b>90,530</b>
	<b>Total Liabilities:</b>		<b>138,044</b>	<b>7,666</b>	<b>-</b>	<b>145,710</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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