



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Edgewood

Pierce County

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

Published February 2, 2017

Report No. 1018506





Office of the Washington State Auditor
Pat McCarthy

February 2, 2017

Mayor and City Council
City of Edgewood
Edgewood, Washington

Report on Financial Statements

Please find attached our report on the City of Edgewood'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 Edgewood
Pierce County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Edgewood
Edgewood, 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 Edgewood, Pierce County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 17, 2017.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

January 17, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Edgewood Pierce County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Edgewood
Edgewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Edgewood, Pierce County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 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 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 Edgewood 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 Edgewood, for the year ended December 31, 2015, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Edgewood, as of December 31, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions 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 January 17, 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

January 17, 2017

FINANCIAL SECTION

**City of Edgewood
Pierce County
January 1, 2015 through December 31, 2015**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015

City of Edgewood

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2015

BARS CODE		Total for	001	101
		All Funds 1/	Current Expense Fund	Street Fund
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$506,823.85	\$506,823.85	\$0.00
30880	Beg Fund Bal-Unreserved	\$4,321,002.53	\$1,198,323.66	\$136,706.45
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
Operating Revenues				
310	Taxes	\$2,852,869.73	\$2,397,215.66	\$97,175.00
320	Licenses and Permits	\$636,130.45	\$620,082.05	\$16,048.40
330	Intergovernmental Revenues	\$1,546,778.78	\$252,702.78	\$200,710.59
340	Charges for Goods and Services	\$2,025,249.71	\$502,855.33	\$10,000.00
350	Fines and Penalties	\$22,118.89	\$586.17	\$0.00
360	Miscellaneous Revenues	\$1,743,406.59	\$21,249.42	\$168.12
Total Operating Revenues:		\$8,826,554.15	\$3,794,691.41	\$324,102.11
Operating Expenditures:				
510	General Government	\$981,258.56	\$981,258.56	\$0.00
520	Public Safety	\$1,639,053.30	\$1,639,053.30	\$0.00
530	Utilities	\$605,575.28	\$0.00	\$0.00
540	Transportation	\$655,635.04	\$0.00	\$655,635.04
550	Economic Environment	\$853,058.26	\$853,058.26	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$53,288.77	\$53,288.77	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
Total Operating Expenditures:		\$4,787,869.21	\$3,526,658.89	\$655,635.04
Net Operating Increase (Decrease):		\$4,038,684.94	\$268,032.52	(\$331,532.93)
Nonoperating Revenues				
370,380,395,398	Other Financing Sources	\$970,265.35	\$970,265.35	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$1,380,742.73	\$222,557.00	\$278,149.73
Total Nonoperating Revenues:		\$2,351,008.08	\$1,192,822.35	\$278,149.73
Nonoperating Expenditures				
580,596,599	Other Financing Uses	\$1,038,911.68	\$162,043.32	\$0.00
591-593	Debt Service	\$1,628,786.41	\$0.00	\$0.00
594-595	Capital Expenditures	\$174,355.04	\$7,426.12	\$0.00
597	Transfers-Out	\$1,380,742.73	\$196,063.00	\$0.00
Total Nonoperating Expenditures:		\$4,222,795.86	\$365,532.44	\$0.00
Increase (Decrease in Cash and Investments)		\$2,166,897.16	\$1,095,322.43	(\$53,383.20)
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$5,265,120.54	\$1,070,866.94	\$83,323.25
50880	End Fund Balance-Unreserved	\$1,729,603.00	\$1,729,603.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

City of Edgewood

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2015

BARS CODE		110	111	130
		Park Impact Fee	Traffic Impact Fee	Municipal Capital Reserver REET1
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$78,605.25	\$24,929.95	\$134,045.48
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
Operating Revenues				
310	Taxes	\$0.00	\$0.00	\$179,239.59
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$0.00	\$0.00
340	Charges for Goods and Services	\$494,446.00	\$354,699.55	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$71.11	\$2.58	\$11.51
Total Operating Revenues:		\$494,517.11	\$354,702.13	\$179,251.10
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
Total Operating Expenditures:		\$0.00	\$0.00	\$0.00
Net Operating Increase (Decrease):		\$494,517.11	\$354,702.13	\$179,251.10
Nonoperating Revenues				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$0.00	\$0.00	\$0.00
Total Nonoperating Revenues:		\$0.00	\$0.00	\$0.00
Nonoperating Expenditures				
580,596,599	Other Financing Uses	\$0.00	\$9,371.85	\$0.00
591-593	Debt Service	\$0.00	\$1.05	\$0.00
594-595	Capital Expenditures	\$0.00	\$0.00	\$0.00
597	Transfers-Out	\$100,000.00	\$193,744.00	\$203,690.00
Total Nonoperating Expenditures:		\$100,000.00	\$203,116.90	\$203,690.00
Increase (Decrease in Cash and Investments)		\$394,517.11	\$151,585.23	(\$24,438.90)
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$473,122.36	\$176,515.18	\$109,606.58
50880	End Fund Balance-Unreserved	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

City of Edgewood

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2015

BARS CODE		132	201	310
		Municipal Capital Reserver REET 2	Debt Service	Capital Parks Fund
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$179,426.82	\$0.00	\$171,610.96
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
Operating Revenues				
310	Taxes	\$179,239.48	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$0.00	\$0.00
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$37.38	\$0.00	\$51.29
Total Operating Revenues:		\$179,276.86	\$0.00	\$51.29
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
Total Operating Expenditures:		\$0.00	\$0.00	\$0.00
Net Operating Increase (Decrease):		\$179,276.86	\$0.00	\$51.29
Nonoperating Revenues				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$0.00	\$401,920.00	\$110,000.00
Total Nonoperating Revenues:		\$0.00	\$401,920.00	\$110,000.00
Nonoperating Expenditures				
580,596,599	Other Financing Uses	\$22,496.51	\$0.00	\$0.00
591-593	Debt Service	\$2.53	\$401,920.00	\$0.00
594-595	Capital Expenditures	\$0.00	\$0.00	\$0.00
597	Transfers-Out	\$215,000.00	\$0.00	\$0.00
Total Nonoperating Expenditures:		\$237,499.04	\$401,920.00	\$0.00
Increase (Decrease in Cash and Investments)		(\$58,222.18)	\$0.00	\$110,051.29
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$121,204.64	\$0.00	\$281,662.25
50880	End Fund Balance-Unreserved	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

City of Edgewood

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2015

BARS CODE		340	341	350
		Capital Roads Fund	Capital Roads - Meridian Ave Ph II	Capital TIB Fund
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$2,460.77	\$0.00	\$3,002.09
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
Operating Revenues				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$899,526.75	\$0.00	\$141,843.66
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$0.00	\$0.00	\$0.00
Total Operating Revenues:		\$899,526.75	\$0.00	\$141,843.66
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
Total Operating Expenditures:		\$0.00	\$0.00	\$0.00
Net Operating Increase (Decrease):		\$899,526.75	\$0.00	\$141,843.66
Nonoperating Revenues				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$0.00	\$250,000.00	\$0.00
Total Nonoperating Revenues:		\$0.00	\$250,000.00	\$0.00
Nonoperating Expenditures				
580,596,599	Other Financing Uses	\$730,000.00	\$0.00	\$115,000.00
591-593	Debt Service	\$82.06	\$0.00	\$14,320.75
594-595	Capital Expenditures	\$155,986.69	\$0.00	\$0.00
597	Transfers-Out	\$0.00	\$0.00	\$0.00
Total Nonoperating Expenditures:		\$886,068.75	\$0.00	\$129,320.75
Increase (Decrease in Cash and Investments)		\$13,458.00	\$250,000.00	\$12,522.91
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$15,918.77	\$250,000.00	\$15,525.00
50880	End Fund Balance-Unreserved	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

City of Edgewood

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2015

BARS CODE		401	410	411
		Sewer Utility Fund	Surface Water Utility Fund	Temporary Sewer LID
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$27,620.25	\$850,937.38	\$1,451,880.77
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
Operating Revenues				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$51,995.00	\$0.00
340	Charges for Goods and Services	\$7,818.51	\$655,430.32	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$21,532.72
360	Miscellaneous Revenues	\$0.00	\$642.87	\$1,721,071.30
Total Operating Revenues:		\$7,818.51	\$708,068.19	\$1,742,604.02
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$483,477.80	\$122,097.48
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
Total Operating Expenditures:		\$0.00	\$483,477.80	\$122,097.48
Net Operating Increase (Decrease):		\$7,818.51	\$224,590.39	\$1,620,506.54
Nonoperating Revenues				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$0.00	\$0.00	\$0.00
Total Nonoperating Revenues:		\$0.00	\$0.00	\$0.00
Nonoperating Expenditures				
580,596,599	Other Financing Uses	\$0.00	\$0.00	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$1,212,460.02
594-595	Capital Expenditures	\$0.00	\$10,942.23	\$0.00
597	Transfers-Out	\$2,982.00	\$351,147.73	\$118,116.00
Total Nonoperating Expenditures:		\$2,982.00	\$362,089.96	\$1,330,576.02
Increase (Decrease in Cash and Investments)		\$4,836.51	(\$137,499.57)	\$289,930.52
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$32,456.76	\$713,437.81	\$1,741,811.29
50880	End Fund Balance-Unreserved	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

City of Edgewood

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2015

BARS CODE		412	501	
		LID Bond Reserve Fund	Equipment Replacement Fund	
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$0.00	\$61,452.70	\$0.00
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
Operating Revenues				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$0.00	\$0.00
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$0.00	\$101.01	\$0.00
Total Operating Revenues:		\$0.00	\$101.01	\$0.00
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
Total Operating Expenditures:		\$0.00	\$0.00	\$0.00
Net Operating Increase (Decrease):		\$0.00	\$101.01	\$0.00
Nonoperating Revenues				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$118,116.00	\$0.00	\$0.00
Total Nonoperating Revenues:		\$118,116.00	\$0.00	\$0.00
Nonoperating Expenditures				
580,596,599	Other Financing Uses	\$0.00	\$0.00	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$0.00
594-595	Capital Expenditures	\$0.00	\$0.00	\$0.00
597	Transfers-Out	\$0.00	\$0.00	\$0.00
Total Nonoperating Expenditures:		\$0.00	\$0.00	\$0.00
Increase (Decrease in Cash and Investments)		\$118,116.00	\$101.01	\$0.00
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$118,116.00	\$61,553.71	\$0.00
50880	End Fund Balance-Unreserved	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

City of Edgewood

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2015

BARS Code		Total for All Funds 1/	630				
			Transportation Benefit District				
308	Beginning Cash and Investments	\$54,580.07	\$54,580.07	\$0.00	\$0.00	\$0.00	\$0.00
388 and 588	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
310-360	Revenues	\$157,000.57	\$157,000.57	\$0.00	\$0.00	\$0.00	\$0.00
380-390	Other Increases and Financing Sources	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
510-570	Expenditures	\$99,815.40	\$99,815.40	\$0.00	\$0.00	\$0.00	\$0.00
580-590	Other Decreases and Financing Uses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Increase (Decrease) in Cash and Investments	\$57,185.17	\$57,185.17	\$0.00	\$0.00	\$0.00	\$0.00
508	Ending Cash and Investments	\$111,765.24	\$111,765.24	\$0.00	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

Notes to the Financial Statements

For year ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The City of Edgewood was incorporated on February 28, 1996 and operates under the laws of the state of Washington applicable to a code city. The City is a general purpose government and provides law enforcement, community planning, street improvements, storm water maintenance and general administrative services, in addition, the City owns a sewer system that is operated and maintained through an Interlocal Agreement. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Edgewood 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

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. One managerial fund 005 Strategic Reserves is listed separately in the adoption of the budget. For 2015, the 005 Strategic Reserve fund is listed separately for financial presentation as reserved in the General Fund.

The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Funds

These funds are the primary operating funds of the City. They account for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Beginning in fiscal year 2014, the City began accounting for funds received by the Edgewood Transportation Benefit District in a fiduciary role with Fund 610.

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, 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
001 General Fund	\$5,264,565	\$4,268,516	\$996,049
005 Strategic Reserve Fund	\$1,000,003	\$0.00	\$1,000,003
101 Street Fund	\$669,877	\$655,635	\$14,242
110 Park Impact Fee Fund	\$494,322	\$100,000	\$394,322
111 Traffic Impact Fee Fund	\$399,043	\$203,117	\$195,926
130 REET 1 Fund	\$272,788	\$203,690	\$69,098
132 REET 2 Fund	\$318,154	\$237,499	\$80,655
201 Debt Service Fund	\$401,920	\$401,920	\$0
310 Capital Park Fund	\$276,667	\$0.00	\$276,667
340 Capital Roads Fund	\$1,021,718	\$886,069	\$135,649
350 Capital TIB Fund	\$142,724	\$129,321	\$13,403
401 Sewer Fund	\$24,404	\$2,982	\$21,422
410 Surface Water Fund	\$2,024,645	\$845,568	\$1,179,077
411 Temporary LID Fund	\$2,381,039	\$1,452,674	\$928,365
501 Equipment Replacement Fund	\$61,496	\$0.00	\$61,496

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.

The City budgets a Fund 005 Strategic Reserve Fund for purposes of cash flow and unexpected emergencies. For reporting purposes, Fund 005 is reported as part of Fund 001 General Fund (current expense fund).

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

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave.

G. Long-Term Debt See Note 5, Debt Service Requirements.

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers-in and operating transfers-out, proceeds from refunding the LID Bond Anticipation Note, and Interfund loans where appropriate and approved through resolution of the City Council.

I. Risk Management

The City of Edgewood is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 176 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the Interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

J. Health and Welfare

The City of Edgewood 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, 263 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 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 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 the AWC Board of Directors President and Vice President. 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.

K. Reserved Portion of Ending Cash and Investments (Fund Balance)

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 the City Council. 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:

- General Fund (\$69,824.94) Funds collected represent cash bonds posted for developer construction projects. For reporting purposes, this reserved amount is combined with Fund 005 Strategic Reserve Fund and stated as "Reserved" General Funds.
- Strategic Reserve Fund (\$1,001,042) Funds collected represent an internal commitment for emergency purposes. These funds may be rescinded by an ordinance of the City Council. For reporting purposes, this reserved amount is combined with Fund 001 General Fund.
- Street Fund (\$83,323) Funds collected represent payment in-lieu of construction and gas taxes used for road improvements.
- Park Impact Fee (\$473,122) Funds are used for park acquisition and improvements outlined in the City's Capital Improvement Plan.
- Traffic Impact Fee (\$176,515) Funds collected pay for projects identified in the City's Capital Improvement Plan.
- REET1 (\$109,607) and REET2 (\$121,205) The Growth Management Act (GMA) restricts projects funded from REET1 and REET2 to those capital projects outlined in the City's Capital Improvement Plan. Certain amounts may be utilized for capital project maintenance through December 31, 2016.
- Capital Parks Fund (\$281,662) Funds are used for capital parks projects, primarily funded by grant dollars and Park Impact Fees, as identified in the City's Capital Improvement Plan.
- Capital Roads (\$265,919) and Capital TIB (\$15,525) Funds are used for capital roads projects, primarily funded by grant dollars and Traffic Impact Fees, as identified in the City's Capital Improvement Plan.
- Sewer (\$32,457) and Surface Water (\$713,438) Funds are used to support the operations and maintenance of the respective utility.
- Temporary LID Fund (\$1,859,927) Funds from special assessment payments for securing the payment of the principal of and interest on local improvement debt. The City's current LID debt is \$15,198,839.
- Equipment Replacement Fund (\$61,554) Funds collected represent an internal commitment for replacing or purchasing capital equipment set aside from General Fund Sources. Use of the funds may be restricted by Council Ordinance.

Note 2 – Deposits and Investments

It is the City of Edgewood's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds of the City.

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

Investments are presented at principal cost.

Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	① City's Own Investments	② Investments held by City as an agent for other local Governments, individuals or private organizations.	③ Total
L.G.I.P.	\$2,069,186	\$0.00	\$2,069,186*
U.S. Government Securities	<u>\$ 997,661</u>	<u>\$0.00</u>	<u>\$ 997,661*</u>
Total	<u>\$3,066,847</u>	<u>\$0.00</u>	<u>\$3,066,847</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 around the 10th 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 2015 was \$1.341984 per \$1,000 on an assessed valuation of \$1,077,792,367 for a total regular levy of \$1,446,380.

Note 4 - Interfund Loans

The following table displays Interfund loan activity during 2015:

Borrowing Fund	Lending Fund	Balance 1/1/2015	New Loans	Repayments	Balance 12/31/2015
Fund 111	Fund 001	9,372	0	9,372	0
Fund 132	Fund 001	22,497	0	22,497	0
Fund 340	Fund 001	730,000	0	730,000	0
Fund 350	Fund 005	115,000	0	115,000	0
	Totals	<u>876,869</u>	<u>0</u>	<u>876,869</u>	<u>0</u>

Effective February 28, 2015, all four outstanding Interfund Loans were paid in full.

Note 5 – Debt Service Requirements

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

The debt service requirements for general obligation bonds, revenue bonds, special assessment bonds, and loans including both principal and interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2015	581,840		1,046,848	\$18,832,863
2016	581,840		1,046,279	\$1,628,688
2017	586,440		1,046,099	\$1,628,646
2018	585,440		1,045,919	\$1,633,033
2019	584,325		1,045,739	\$1,346,820
2020 - 2024	2,921,198		5,225,994	\$8,147,192
2025 – 2029	1,711,378		5,192,081	\$6,903,459
2030 – 2034	899,600		4,031,437	\$4,931,037
2035 - 2036	359,840			\$359,840
Totals	<u>\$8,811,901</u>	<u>\$0</u>	<u>\$19,680,396</u>	<u>\$28,492,297</u>

Other Debt represents annual principal and interest payments to the Public Works Trust Fund Loan and the LID (see Note 7A for information on the LID).

The City owns three parcels in the LID whose current portion owed is \$725,188. The 17 remaining annual assessment installments are \$45,324 each and the assessment will be paid in 2031. Yearly interest is due on the declining balance owed. For 2015, the interest paid was \$32,747.

Note 6 - Pension Plans

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

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

PLAN	Allocation %	Liability (Asset)
PERS 1	.004041%	\$211,382
PERS 2/3	.005219%	\$186,478

Note 7 - Other Disclosures

A. Local Improvement District No. 1: the City created a Local Improvement District (LID) for the purpose of funding sanitary sewer utility infrastructure along the SR 161/Meridian Avenue Corridor. The final

Assessment roll of \$20,968,029, for the Sewer LID was finalized by the City Council in August of 2011. The City funded the sewer improvements using a Bond Anticipation Note (BAN).

On November 12, 2014, the City passed Ordinance No. 14-0428 issuing \$13,150,000 in LID backed United States Department of Agriculture Rural Development (USDA) bonds and issuing \$2,600,000 LTGO backed USDA bonds to retire its US Bank Bond Anticipated Notes (BAN). The US Bank BAN was paid in full on November 24, 2014 in the principal amount of \$18,180,000 and interest in the amount of \$200,646.60 for a total of \$18,380,646.60 using the USDA bonds and \$2,630,646.60 of Fund 411 reserve balance. The City continues to collect LID principal and interest payments using a third party vendor, Public Finance, Inc. The majority of LID participants make annual payment of various amounts based upon the original LID assessments. This group constitutes the majority of all parcels within the LID and their LID annual payments are due each August. In 2015 they made payment number four of twenty. Property Foreclosure: The City was statutorily required to commence foreclosure proceedings on one property for delinquent Local Improvement District assessments during fiscal year 2015. The delinquent assessment was resolved prior to actual foreclosure. Litigation: Several individuals and business owners filed a law suit against the City seeking monetary damages and seeking injunctive relief related to the original apportionment of the LID. The City held a public hearing to reapportion this group, which after flowing through the appeal process in state court, has been upheld. This group of eight parcel owners made their first payment of twenty on November 6, 2015. No parcel owners in this second group are in default. The petitioners have until November 30, 2016 to petition the State Supreme Court to hear the case. After that date the group's appeal process will have been exhausted and the current apportionment and debt schedule will remain in effect for the remaining 19 payments.

As of December 31, 2015, the City has not had an application for, nor collected any City Conveyance Development Charges (late comer's fees) for sewer extensions within the Core 1 area, which would be assessed for private/developer funded projects.

- B. Personnel Changes:** The City experienced a turnover in key personnel in 2015. The seated City Manager resigned in February of 2015. The Contract Assistant City Manager/Finance Director resigned in March 2015. A Full Time Employee was hired in July 2015. In August 2015 the newly elected Mayor, as a result of the change in government, assumed the duties of the Chief Administrative Officer in a full time capacity. In November 2015 a second 60% permanent part-time Accountant was added doubling the Accounting personnel. A full time Administrative Assistant was hired in November 2015 allowing the City to return to a enhanced span of control and separation of duties. These additions to permanent city personnel will allow the city to focus on improved processes and continuity of control not present with reduced staffing and interim contract financial support and oversight.
- C. Construction Commitments:** The City had no active construction projects as of December 31, 2015.
- D. Mt. View Edgewood Water Company Franchise Agreement:** The City of Edgewood has maintained a Franchise Agreement with the Mt. View Edgewood Water Company (MTVE), a nonprofit shareholder owned corporation formed to supply water to approximately seventy-five percent of the parcels within the City of Edgewood jurisdictional boundaries, since the City's formation in 1996. The current five year agreement expires in April of 2016. Substantive agreement language changes have been proposed by the City with significant resistance from the MTVE Board of Directors and Senior Management. As a majority of the City residents, one of three sewer pumping stations and a number of City facilities rely upon MTVE, a failure to successfully negotiate a new agreement could negatively impact the City's ability to ensure the adequate supply of water resources. The City anticipates a successful conclusion to the ongoing negotiations with MTVE, as MTVE has been the majority supplier of water to the area for years prior to the incorporation of the City. The City wishes to disclose the potential risk should negotiations fail.

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

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
263.81	2013 PWTF Loan	6/1/2031	\$ 224,178	-	\$ 13,187	\$ 210,991
251.11	2007 G.O. Bond	12/1/2026	\$ 3,790,000	-	\$ 250,000	\$ 3,540,000
251.11	2014 G.O Bond (USDA RD)	11/24/2036	\$ 2,600,000	-	\$ 75,920	\$ 2,524,080
Total General Obligation Debt/Liabilities:			\$ 6,614,178	-	\$ 339,107	\$ 6,275,071
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	2015 Compensated Absences	12/31/2015	\$ 23,540	\$ 8,892	-	\$ 32,432
264.30	Department of Retirement	12/31/2015	-	\$ 397,860	-	\$ 397,860
263.82	2009 Sewer Assessment	6/1/2028	\$ 411,764	-	\$ 29,412	\$ 382,352
259.12	2015 Compensated Absences		\$ 1,248	\$ 8,093	-	\$ 9,341
Total Revenue and Other (non G.O.) Debt/Liabilities:			\$ 436,552	\$ 414,845	\$ 29,412	\$ 821,985
Assessment Debt/Liabilities (with commitments)						
253.11	2014 Sewer Assesment	11/24/2033	\$ 5,150,000	-	\$ 186,121	\$ 4,963,879
253.11	2014 Sewer Assesment	11/24/2033	\$ 8,000,000	-	\$ 289,120	\$ 7,710,880
Total Assessment Debt/Liabilities (with commitments):			\$ 13,150,000	-	\$ 475,241	\$ 12,674,759
Total Liabilities:			\$ 20,200,730	\$ 414,845	\$ 843,760	\$ 19,771,815

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.

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