



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

City of Camas

Clark County

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

Published June 19, 2017

Report No. 1019234





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

June 19, 2017

Mayor and City Council
City of Camas
Camas, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Camas' financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Camas
Clark County
January 1, 2016 through December 31, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Camas are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2016-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Camas Clark County January 1, 2016 through December 31, 2016

2016-001 The City's internal controls were not adequate when valuing contributed assets.

Background

City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified a material weakness in internal controls over financial reporting that resulted in errors in the City's financial statements.

Government Auditing Standards requires that the auditor communicate a material weakness, as defined below in the Applicable Laws and Regulations section, as a finding.

The City recorded a capital asset contribution because it annexed a subdivision from Clark County. The annexation consisted of transferring ownership of assets including land, roads, sidewalks, street lights and stormwater systems. These assets were required to be valued at carrying value of the transferring government.

Description of Condition

We evaluated the internal controls over the recording of \$7,302,910 in contributed assets relating to the annexation and identified the following internal control deficiency that represents a material weakness over financial reporting:

- The City was unable to obtain values of the assets from the transferring government, so it performed research to determine values for each asset acquired. The City valued the assets at fair market value and did not detect errors in their calculations. Also, the City did not make adjustments to the values to record the assets at the estimated carrying value.

Cause of Condition

The City did not dedicate adequate resources to ensure that the annexation, an unusual transaction for the City, was properly valued and recorded.

Effect of Condition

Our audit of the City's financial statements identified the following error related to the recording of the contributed assets:

- Governmental activities revenue and capital assets were overstated by \$5,235,170.

Recommendation

We recommend the City establish internal controls to ensure:

- Adequate reviews are performed over managerial estimates before being recorded in the City's general ledger
- Valuation of contributed capital assets is appropriate and fully supported
- Adequate resources are dedicated when unusual transactions occur to ensure they are accurately recorded and valued

City's Response

Camas appreciates the State Auditor's Office's attention to our financial records and accounting practices. Over the last several years, the City has had only one finding which was for the 2011 Audit. Camas continues to work diligently and continuously to implement each recommendation of the State Auditor's Office as well as working toward complete implementation of GFOA best practices. The City strives to produce reliable financial statements by continuous improvement to our accounting and reporting practices with ongoing training for staff and consultant assistance with new GASB pronouncements.

The valuation of the Grand Ridge Annexation was an extraordinary event which the City will not experience again. It was a large annexation with a number of assets with high value. Initially, the City attempted to obtain the value of the annexation from the Clark County Auditor's Office which was used in the County's financial statements the prior year. Clark County was unable to provide the information requested.

The City recalculated the value of the annexation similar to contributed capital received from developers but the calculation of land value was not consistent with contributed capital from developers. Land value in the City is not tracking with the County Assessor's valuation. Recent appraisals for land the City has acquired have substantially valued higher than County assessed value. The City will develop a better practice for valuing land assets going forward. In addition, the Engineering Department and the Finance Department will more carefully review

future estimates. Further, the City will ensure that future unusual transactions are accurately recorded and valued.

The City is looking to replace the current financial system which includes a Fixed Asset module. The current system is cumbersome and is difficult to work with. The calculation of depreciation is time consuming and difficult to apply. In the interim, the Finance Department will develop a better process for older assets acquired to ensure depreciation is calculated correctly.

The City takes great pride in its financial practices and will continue to provide excellent service to its citizens with the goal of clean audits of accurate and reliable financial statements. The City staff appreciate the assistance and support of the State Auditor's Office and the City will continue to pursue ongoing professional excellence as demonstrated these last several years.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding. We will review the corrective action taken during our next regular audit. We thank the City for its cooperation and assistance during the audit.

Applicable Laws and Regulations

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

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

Budgeting, Accounting and Reporting Systems Manual – Accounting, Accounting Principles and General Procedures, Internal Control, states:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statements and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

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

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

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

Deficiency in internal control. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness. A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonably possibility exists when the likelihood of an event occurring is either reasonably possible or probably as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Probable. The future event or events are likely to occur.

Governmental Accounting Standards Board, Statement, No. 69 states in part:

47. The transferee government should recognize the carrying values of assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the operations of the transferor government or nongovernmental entity as of the effective transfer date. If the assets, deferred outflows of resources, liabilities, or deferred inflows of resources of one or more of the transferor entities' operations are not recognized and measured in conformity with authoritative guidance for state and local governments,⁶ those elements should be adjusted to bring them into conformity with that guidance before the transferee government recognizes the assets, deferred outflows of resources, liabilities, and deferred inflows of resources related to a transferred operation. The transferee government should not recognize additional assets, deferred outflows of resources, liabilities, or deferred inflows of resources that authoritative guidance for state and local governments does not require or permit the transferor to recognize (for example, intangible assets that were not required to be reported). The net position received or assumed by a continuing transferee government should be reported as a special item.

**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 Camas
Clark County
January 1, 2016 through December 31, 2016**

Mayor and City Council
City of Camas
Camas, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Camas, Clark County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 23, 2017. As discussed in Note 5 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy

State Auditor

Olympia, WA

May 23, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Camas
Clark County**

January 1, 2016 through December 31, 2016

Mayor and City Council
City of Camas
Camas, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Camas, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

May 23, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Camas Clark County January 1, 2016 through December 31, 2016

Mayor and City Council
City of Camas
Camas, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Camas, Clark County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 21.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Camas, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Camas-Washougal Fire & EMS funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis – Correction of Prior Year Misstatement

As discussed in Note 5 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 33, information on postemployment benefits other than pensions on page 101 and pension plan information on pages 102 through 115 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 May 23, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not

to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

May 23, 2017

FINANCIAL SECTION

**City of Camas
Clark County
January 1, 2016 through December 31, 2016**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2016

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of governmental funds to the Statement of Activities – 2016

Statement of Revenues, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – General Fund – 2016

Statement of Revenues, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – Camas-Washougal Fire and EMS Fund – 2016

Statement of Net Position – Proprietary Funds – 2016

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2016

Statement of Cash Flows – Proprietary Funds – 2016

Statement of Net Position – Fiduciary Funds – 2016

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2016

Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits Plan – Schedule of Funding Progress – 2016

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2016

Schedule of Employer Contributions – PERS 1 – 2016

Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2016

Schedule of Employer Contributions – PERS 2/3 – 2016

Schedule of Proportionate Share of the Net Pension Liability – LEOFF 1 – 2016

Schedule of Employer Contributions – LEOFF 1 – 2016

Schedule of Proportionate Share of the Net Pension Liability – LEOFF 2 – 2016
Schedule of Employer Contributions – LEOFF 2 – 2016
Schedule of Proportionate Share of the Net Pension Liability – Fireman’s Pension Plan –
2016
Schedule of Employer Contributions – Fireman’s Pension Plan – 2016
Schedule of Investment Returns – Fireman’s Pension Fund – 2016
Notes to Required Supplemental Information – Pension – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016

CITY OF CAMAS, WASHINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

The City of Camas discussion and analysis is a narrative overview of the city's financial activities for the fiscal year ended December 31, 2016. The information presented here should be read in conjunction with our letter of transmittal, and the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- City of Camas assets exceeded its liabilities at December 31, 2016 by \$224.6 million.
- Net investment in capital assets account for 91% of this amount, with a value of \$205.7 million.
- Of the remaining net assets, \$7.3 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net position showed an increase of \$20.2 million, nearly 10% during 2016.
- As of December 31, 2016, City's governmental funds reported combined ending fund balances of \$9.3 million. Nearly 29% of this total amount, \$2,717,022 is available for spending at the government's discretion. General Fund has \$2.7 million in unassigned fund balance.
- City's total bonded debt at December 31, 2016 was \$28.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the basic financial statements of the City of Camas (the City). This information will assist users in interpreting the basic statements. We will also provide other financial discussion and analysis of certain plans, projects and trends necessary for understanding the full context of the financial condition of the City.

Basic Financial Statements

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and, 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial condition. The two sets of financial statements provide two different views of the City's financial activities and financial position – long-term and short-term.

Government-wide Financial Statements

Government-wide financial statements provide readers with a broad overview of the finances of the City of Camas in a manner similar to a private-sector business, distinguishing functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of the City of Camas include a full range of local government services provided to the public, such as law enforcement and public safety, fire protection, street construction and maintenance, community planning and development, parks and recreation facilities, and other community services. In addition, other general government services are provided, such as the issuance of permits and licenses. The business-type activities of the City include water and sewer, storm water, and solid waste utilities.

The Statement of Net Position

The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full accrual basis. This statement presents information on all assets and liabilities including deferred outflows and deferred inflows of the City of Camas, with the difference reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities

The Statement of Activities explains in detail the change in Net Position for the year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent each program relies on taxes for funding.

All changes in net position are reported using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when the goods and services are received. Items such as uncollected taxes, unpaid vendor invoices for items received in 2016, and earned but unused vacation leave and a portion of sick leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2016.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Camas, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. All of the funds of the city fall into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds account for most, if not all, of a government's tax-supported activities. Proprietary Funds account for a government's business type activities where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. Each major fund is presented individually with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds may change from year to year as a result of changes in the pattern of City's activities. The City has two major funds in 2016 in addition to the General Fund, the Camas/Washougal Fire and EMS Fund and the Growth Management Fund.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the city-wide financial statements.

The focus of governmental funds is narrower than that of government-wide financial statements, so it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

The City has two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water-sewer, storm water and solid waste utilities. Internal service funds accumulate and allocate costs among the City's various functions. The City uses an internal service fund to account for its rolling stock repair and replacement. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statements of Net Position to the business-type column on the government-wide Statement of Net Position, the total net position agrees, therefore needs no reconciliation.

The proprietary fund financial statements provide separate information for the Water-Sewer and Storm Water, which have been designated as major funds. In addition to the presentation of these major funds, the Solid Waste Fund is reported as a non-major fund with the internal service fund is displayed as a single presentation on these statements.

Fiduciary Funds

The City acts as an agent on behalf of others, holding amounts collected and disbursing them as directed or required. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Change in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statements in this report.

Other Information

The combining statements referred to earlier, in connection with non-major governmental funds and internal service funds, are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found in the supplemental information section of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The City's net position increased in 2016 by \$20.2 million or nearly 10% from 2015. The largest portion, approximately \$205.7 million, of the City's net position represents its investment in infrastructure and other capital assets (e.g. land, building, other improvements, etc.) used in Governmental activities, net of amounts borrowed to finance the investment. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's governmental net position of \$4.2 million, or 3.3%, represents the resources that are subject to restrictions that may only be used to construct specified capital projects, debt service, tourism or public safety programs. The restrictions on these funds were placed by law makers or covenants and cannot be changed by the City.

Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City's unrestricted net position improved from 2015 by \$1.2 million to (\$0.7) million with the implementation of GASB 68 in 2015 and the recording of a net pension liability.

At the end of the fiscal year 2016, the City was able to report positive balances in all categories of net position for the government as a whole except for unrestricted due to the implementation of GASB 68 and recording the net pension liability, which will likely remain for a long term liability for several decades.

The following is a condensed version of the Government-Wide Statement of Net Position.

City of Camas Net Position

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Total Activities 2016	Total Activities 2015
Current and other assets	\$ 11,677,109	\$ 12,684,834	\$ 35,599,378	\$ 32,594,651	\$ 47,276,487	\$ 45,279,485
Pension Assets	3,963,336	5,095,345			3,963,336	5,095,345
Capital assets (net of accumulated depreciation)	137,117,275	124,621,722	115,532,829	110,521,142	252,650,104	235,142,864
TOTAL ASSETS	152,757,720	142,401,901	151,132,207	143,115,793	303,889,927	280,422,349
Deferred Outflows	1,954,974	1,107,696	603,302	454,290	2,558,276	1,561,986
Long-term liabilities	17,299,008	23,371,970	45,471,244	48,451,829	62,770,252	71,823,799
Other liabilities	9,134,780	3,304,172	9,483,060	5,534,030	18,617,840	8,838,202
TOTAL LIABILITIES	26,433,788	26,676,142	54,954,304	53,985,859	81,388,092	80,662,001
Deferred Inflows	341,521	1,732,690	49,092	219,507	390,613	1,952,197
NET POSITION						
Net investment in capital assets	124,445,727	114,055,065	81,303,548	78,106,077	205,749,275	192,161,142
Restricted	4,229,707	2,804,098	7,344,085	3,756,220	11,573,791	6,560,318
Unrestricted	(738,049)	(1,758,398)	8,084,480	7,502,420	7,346,431	5,744,022
TOTAL NET POSITION	\$ 127,937,385	\$ 115,100,765	\$ 96,732,113	\$ 89,364,717	\$ 224,669,498	\$ 204,465,481

Statement of Activities

The Statement of Activities provides information about the City's revenues and all of its expenses, with an emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Position for the year.

The City's Governmental activities net position increased by \$7.5 million in 2016. The governmental revenue increased by \$9.6 million to \$37.6 million. The governmental expenses increased by \$0.9 million to \$30.0 million.

Of the total governmental revenues, total program revenues increased by \$4.3 million or 32%, to \$17.6 million from the prior year. The increase is primarily due to the increase in capital grants and contributions of \$3.9 million from 2016 with charges for services increasing almost \$.4 million.

General revenues increased overall by \$5.2 million, of which \$1 million due to an increase in property taxes over 2015 general revenues. The significant change was the one time transfer in 2015 of \$3.4 million to Storm Water from street construction projects.

A summary version of the Statement of Activities is shown in the following table including comparison data from 2015. The full statement is a tabular depiction of the relationship of revenues and expenses for the City's governmental activities and proprietary funds. The graphs that follow illustrate the sources of revenue and the balance of governmental vs. business type expenses for 2016.

City of Camas Change in Net Position

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Total 2016	Total 2015
Revenues:						
Program revenues:						
Charges for services	\$ 9,955,118	\$ 9,561,982	\$ 15,877,401	\$ 14,960,612	\$ 25,832,519	\$ 24,522,594
Operating grants and contributions	373,183	314,409	275,783	8,678	648,966	323,087
Capital grants and contributions	7,355,365	3,431,946	5,881,163	3,065,008	13,236,528	6,496,954
General revenues:						
Taxes:						
Property taxes levied for						
general purposes and EMS	12,569,896	11,544,269	-	-	12,569,896	11,544,269
Property taxes levied for debt service	627,668	626,083	-	-	627,668	626,083
Sales and use taxes	3,215,650	2,806,402	-	-	3,215,650	2,806,402
Business and occupation taxes	462,385	465,112	-	-	462,385	465,112
Excise and other taxes	1,864,014	1,604,166	-	-	1,864,014	1,604,166
Grants and contributions not						
restricted to specific programs	1,026,762	945,453	-	-	1,026,762	945,453
Unrestricted investment earnings	45,582	73,007	197,779	63,986	243,361	136,993
Miscellaneous	72,298	64,258	-	(1,289)	72,298	62,969
Total revenues	37,567,921	31,437,087	22,232,126	18,096,995	59,800,047	49,534,082
Expenses:						
General government	4,231,266	4,258,683	-	-	4,231,266	4,258,683
Judicial	297,904	295,080	-	-	297,904	295,080
Public safety	14,653,233	13,490,859	-	-	14,653,233	13,490,859
Physical environment	163,357	180,163	-	-	163,357	180,163
Transportation	5,793,626	5,706,801	-	-	5,793,626	5,706,801
Health and human services	7,031	4,505	-	-	7,031	4,505
Economic environment	942,463	989,996	-	-	942,463	989,996
Culture and recreation	3,491,116	3,656,969	-	-	3,491,116	3,656,969
Interest on long-term debt	446,844	523,178	-	-	446,844	523,178
Water-Sewer	-	-	11,062,672	9,731,456	11,062,672	9,731,456
Storm Water	-	-	1,269,118	1,343,496	1,269,118	1,343,496
Solid Waste	-	-	2,139,197	2,013,652	2,139,197	2,013,652
Total expenses	30,026,840	29,106,232	14,470,987	13,088,604	44,497,827	42,194,836
Excess or deficiency before Transfers	7,541,081	2,330,855	7,761,139	5,008,391	15,302,220	7,339,246
Transfers	50,000	(3,487,498)	-	3,487,498	50,000	-
Change in net position	7,591,081	(1,156,643)	7,761,139	8,495,889	15,352,220	7,339,246
Net position - beginning	115,100,765	117,354,564	89,364,717	82,278,689	204,465,482	199,633,253
Change in Accounting Principles		(783,834)	-	(1,409,861)	-	(2,193,695)
Prior Period Adjustment	5,245,539	(313,321)	(393,743)		4,851,796	(313,321)
Net position - ending	\$ 127,937,385	\$ 115,100,766	\$ 96,732,113	\$ 89,364,717	\$ 224,669,498	\$ 204,465,483

Governmental Activity Analysis

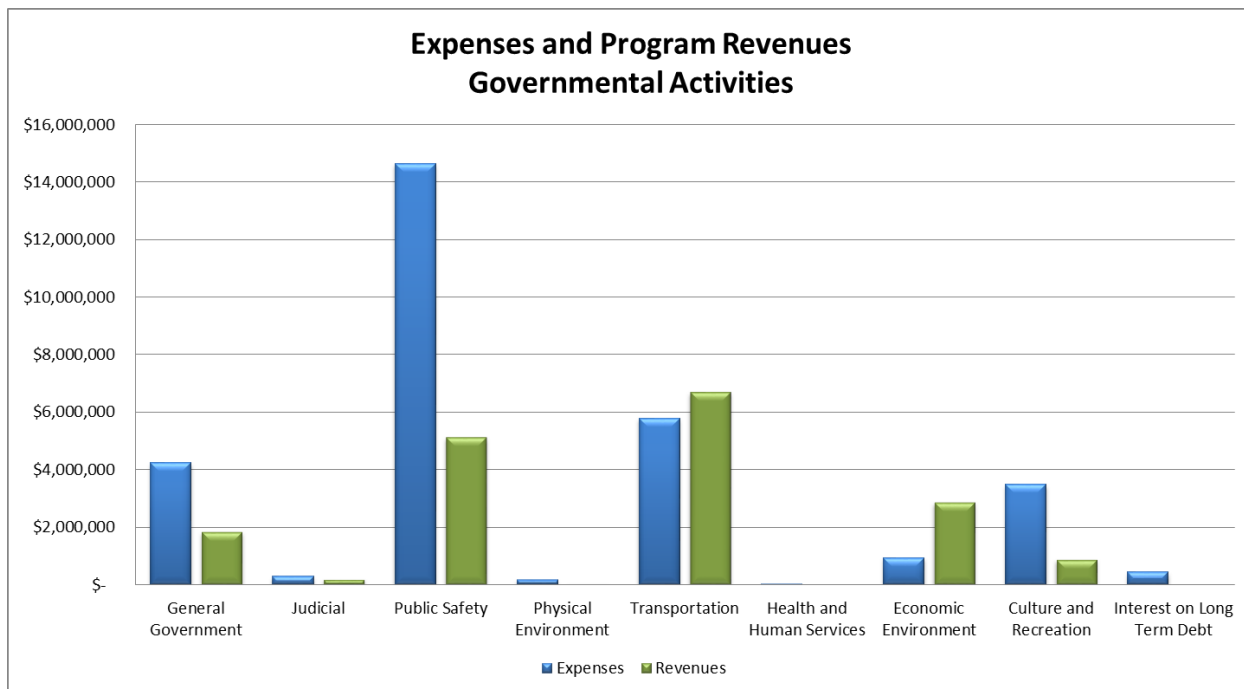
The property tax collections increased in the City of Camas by \$1,027,212 or 8% with the growth in new construction in commercial properties and the increase in home building. Sales tax collected increased by \$409,248 or 15% which is due to an over reporting correction in 2015 of \$125,000 and stronger construction in both private and public projects. The Excise and Other Taxes increased by 16% with continued growth in housing. Business and Occupational were flat in 2016 as compared to 2015,

this category primarily includes cable franchise fees and utility taxes for Natural Gas. Natural Gas Utility Tax is impacted by weather and gas prices.

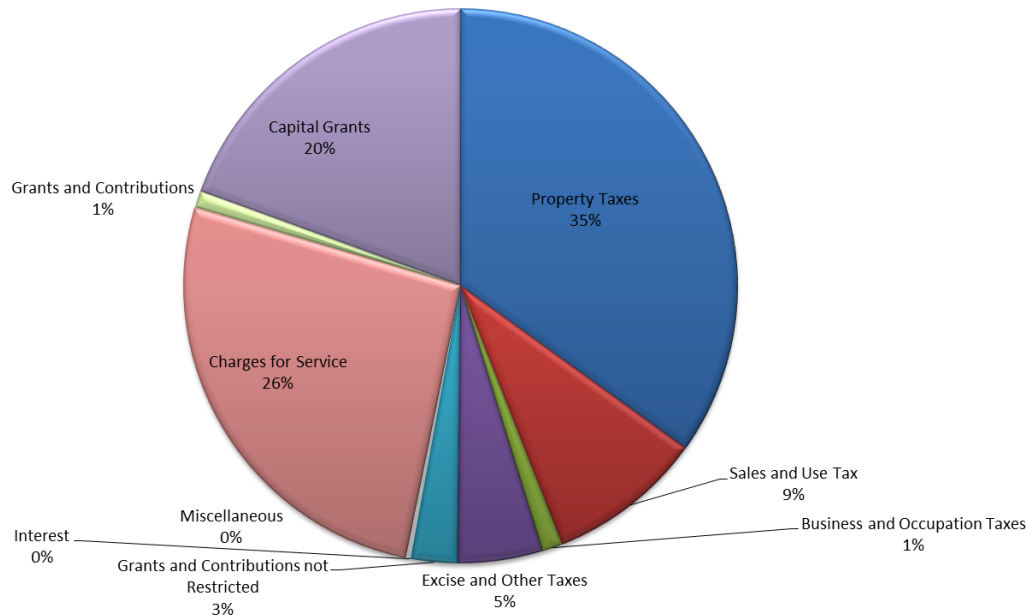
Governmental activities expenses for 2016 were 6.7% higher than 2015. Increased labor costs and increased debt payments are the main increases in expenses. Labor costs increased with cost of living, overtime, additional seasonal help and healthcare.

The net position with governmental activities increased by \$14 million due to the increase in contributed capital, growth related revenue increases and prior period adjustments to fixed assets.

The following charts display the City's governmental activities for 2016, highlighting the proportionate elements of the Revenue and Expenses by program. As well as a detailed chart of sources of revenue in 2016 in the governmental activities.



Revenues by Source - Governmental Activities



Business-Type Activities Analysis

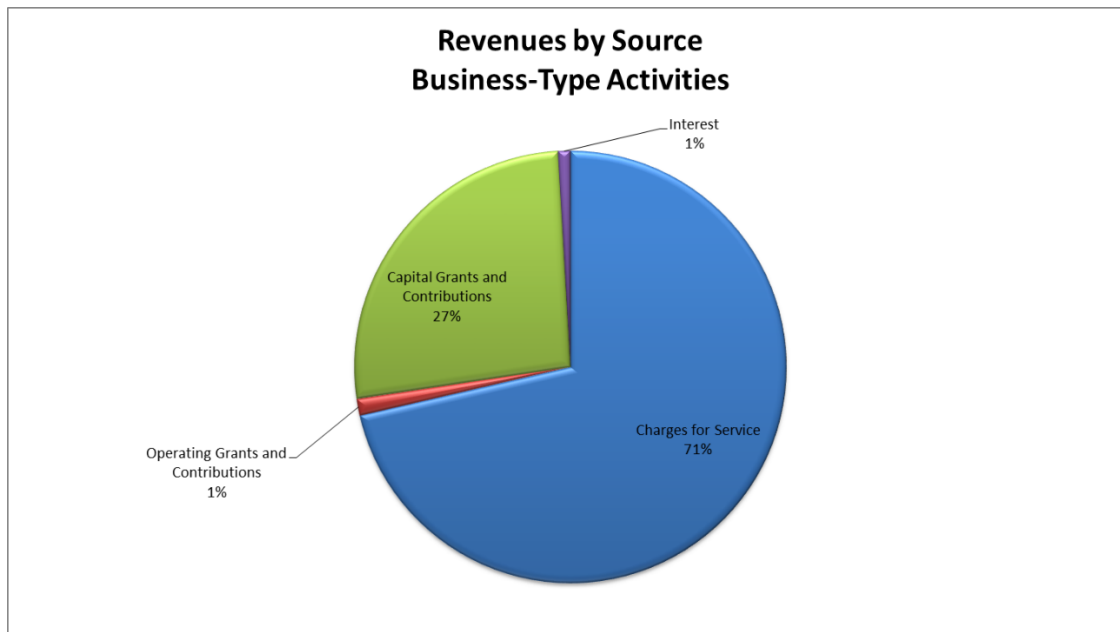
The financial position of the City's Business-Type funds consists of the Storm Water Fund, the Solid Waste Fund and the Water-Sewer Fund. The Water-Sewer Fund is the largest proprietary fund in the City. The financial position of the City's business-type funds is strongly influenced by the Water-Sewer Fund. In 2016, that fund had a \$.688 million increase in charges for services revenues, \$3.4 million increase in capital grants and contributions, a \$1.3 million increase in expenses (excluding depreciation and amortization) over the prior year but the most significant increase was the capital investment of \$3.3 million, all contributing to an overall increase in net position of 9.5%. The Solid Waste Fund improved net position by 14.4% in 2016. This increase was mostly attributed to increase in garbage and recycling revenue while maintain status quo expense budget. The Storm Water Fund maintained net position of \$15.1 million which is attributed to realigning the program to meet the requirements of the National Pollutant Discharge Elimination System permit.

Business-Type Activity Operating Revenues

Water-Sewer	\$12,053,096	76%
Storm Water	1,366,535	9%
Solid Waste	2,457,770	15%
		<u>100%</u>

Business-Type Activity Operating Expenses

Water-Sewer	\$11,062,672	76%
Storm Water	1,269,118	9%
Solid Waste	2,139,197	15%
		<u>100%</u>



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

The City uses fund accounting to ensure compliance with legal requirements and to assist in the budgeting and operations of the different activities of the City. The City has 24 funds, of which 14 are governmental funds. The governmental funds are categorized into four different fund types. Each fund type has a unique purpose, General Fund, Special Revenue Funds, Debt Funds and Capital Project Funds.

For purposes of this report, three funds are classified as major funds, based on criteria set forth by the Governmental Accounting Standards Board (GASB). Those funds are the General Fund used for traditional government purposes; the Camas/Washougal Fire and EMS Fund (Special Revenue Fund), and Growth Management Fund (Capital Project Fund).

The change in Total Governmental Funds fund balance was a decrease of \$841,367. Of the Major funds, the General Fund had an increase of \$866,255. The Camas/Washougal Fire and EMS Fund had an increase of \$33,799. The Growth Management Fund had an increase of \$1,296,610. All other governmental funds had a combined decrease in their fund balances of \$3,038,031.

The increase in the General Fund was primarily a result increase in growth related revenue such as building permits and engineering related revenue. The Camas/Washougal Fire and EMS Fund increase is the result of higher contributions from the City of Camas and the City of Washougal to build fund balance but was offset with the unanticipated use of overtime associated with work-related injuries. The Growth Management Fund increase in fund balance is a result of increases in impact fees and real estate excise taxes tied to growing housing market. The other funds saw decreases with the anticipated use of \$7.3 million limited general obligation bond proceeds on a number of capital projects in 2016.

Business-Type Activities Analysis

Proprietary funds are those funds that account for government operations where the intent is for the costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and the internal service funds provide their services primarily within the City, or to other governmental units. The City has three enterprise funds and one internal service fund.

The Water-Sewer Fund is the largest business-type fund in the city, accounting for 82% of net position for the enterprise funds at \$78.6 million. The Water-Sewer Fund had an increase in net position of over \$6.9 million. Revenues generated from operations

were higher than the prior year by \$208 thousand (1.8%), and operating expenses increased by \$1 million (12.2%). The higher revenues were due to residential and commercial growth with the higher expenses tied to a new water filtration system becoming operational, new repair and replacement program for both water, housing growth, and sewer and staff retirements.

The Solid Waste Fund net position increased 14% in 2016. Charges for services increased 5% while operating expenses increased 7% with the main increase in collection and disposal services.

The Storm Water Fund net position increased by \$57,058 (.03%) in 2016. In 2015, capital contributions from governmental activities are the reason for the large increase with the wetland mitigation constructed in 2015. The 2015 net position increase as compared to 2016 appears flat in growth due to the large capital contribution in a prior year.

The Internal Service Fund, the Equipment Rental Fund net position showed an increase of \$670 thousand or 16% in 2016. Revenues increased 6% while expenses decreased \$49 thousand (3.6%). Rates for the rental of equipment were adjusted with an updated Equipment Rental Rate Model in 2016. The financial model is sustainable and will be carefully monitored.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City operated with biennial budget for 2015-2016. In 2016, General Fund revenues came in at the anticipated budget, while expenditures were 96% of the budget. Revenues ended the year \$93,938 higher than anticipated with development pace holding steady throughout 2016. Overall, 2016 ended \$1,149,462 more than the previous year. This increase in fund balance reflects lower jail costs, lower emergency management fees, and delayed projects into 2017 which account for the lower expenditures coupled with the higher revenues increased the growth in fund balance.

State law allows funds to be expended if authorized by an ordinance amending the original budget [RCW 35A.33.120(4)]. The budget was amended for an increase of \$113,796 by City Council in Ordinance No. 16-005. This Ordinance supplemented the budget for city-wide salary study, labor negotiations legal costs, and extending the summer season for the municipal pool.

The Budget was supplemented by \$62,000 by City Council in Ordinance No. 16-027. This budget adjustment transfer additional funds to the Cemetery for unforeseen cost increases and debt costs.

The City had planned and budgeted to spend down General Fund balances in 2016 to 15% of Fund Balance; however, due to the moderate growth in revenue collections and higher expenditures, the fund balance for the General Fund increased by \$1,149,462 ending the year with \$3,353,423. This balance represents 17.9% of expenditures and is just above the City's adopted policies for fund balance of 17%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

City's Investment in capital assets, including construction in progress for its governmental and business type activities as of December 31, 2016, was \$205,749,275 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, and construction in progress on buildings and systems. This reflects an increase in net capital assets of \$13.6 million during the year.

Major capital asset additions include completion of Sewer STEP System Bypass, improvements to Franklin Street, City-wide LED Lighting project, 6th and Norwood traffic circle, and a number of developer contributions from new subdivisions. Another large increase was the annexation of Grand Ridge with increased capital for the City by \$3.7 million.

Additional information on the capital assets of the City of Camas can be found in the Notes to the Financial Statements - Note IV item C of this report.

City of Camas Capital Assets

(net of depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities		Activities	
	1/1/2016	12/31/2016	1/1/2016	12/31/2016	1/1/2016	12/31/2016
Land	\$62,814,189	\$ 66,563,660	\$1,130,208	\$1,130,209	\$63,944,397	\$67,693,869
Buildings and systems	12,488,290	\$ 12,135,923	20,913,401	21,438,584	\$33,401,691	\$33,574,507
Improvements other than building	4,720,901	\$ 4,622,020	5,177,609	19,587,385	\$9,898,510	\$24,209,405
Machinery and equipment	5,767,117	\$ 6,334,777	18,581,558	18,998,950	\$24,348,675	\$25,333,727
Intangibles	20,400	\$ 16,131	388,526	385,721	\$408,926	\$401,852
Infrastructure	37,982,156	\$ 46,393,049	53,969,565	49,480,641	\$91,951,721	\$95,873,690
Construction in progress	828,669	\$ 1,051,715	10,360,275	4,511,339	\$11,188,944	\$5,563,054
Total	\$124,621,722	\$137,117,275	\$110,521,142	\$115,532,829	\$235,142,864	\$252,650,104

Long-Term Debt

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy (unlimited general obligation bonds); or created by ordinance, adopted by City Council, and financed from general revenues (limited general obligation bonds).

At December 31, 2016, the City of Camas had total bonded debt outstanding of \$31.6 million and government loans of \$31.4 million. Of this amount, \$10.1 million is general obligation debt. The revenue bonds of \$18.9 million represent bonds secured solely by specified revenue source. The business-type government loans are intended to be repaid with a specified revenue source.

The table below is a comparison of the summary information for year-end 2016 and 2016 bonded and non-bonded debt (in thousands).

City of Camas Outstanding Bonded Debt

(in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Activities	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 9,451	\$ 10,238	\$ 822	\$ 853	\$ 10,273	\$ 11,091
Revenue bonds	-	-	21,347	22,229	21,347	22,229
Government loans	5,358	6,076	26,111	26,487	31,469	32,563
Total	\$ 14,809	\$ 16,314	\$ 48,280	\$ 49,569	\$ 63,089	\$ 65,883

The total bonded debt of the City of Camas decreased by a net \$2.7 million during 2016. The City's remaining capacity for non-voted debt is approximately \$45.1 million. City of Camas is currently rated AA+ for general obligation debt by Standard and Poor's Rating Service. The City received this rating in June, 2014 and it was confirmed in February, 2015.

Additional information on the City's long-term debt can be found in Note IV item E in the Notes to the Financial Statements and in the Appendices on Table 10 through Table 14.

Significant Commitments

The City has remaining construction projects as of December 31, 2016. They include Governmental and Business type projects. While these projects have contracts issued for their construction, there is not an immediate liability to the City. Rather, the contracts represent a commitment that should be disclosed. The following lists these commitments:

Governmental Type Construction Projects:

Project	Projects to Date	Remaining Commitment
Street Lighting LED Project	\$1,665,901	\$1,334,099
NW Brady Road Street Improvements	\$465,333	\$1,575,000
NW 6 th and Norwood Improvements	\$3,099,152	\$258,209

Business Activity Construction Projects:

Project	Projects to Date	Remaining Commitment
544 Pressure Zone Project – Water Treatment Facility	\$11,201,130	\$2,572,083
North Shore Sewer Transmission Main	\$1,896,368	\$15,000,000
North Shore Waterline	\$338,308	\$3,100,000

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Letter of Transmittal.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to:

Finance Department
City of Camas
616 NE 4th Avenue
Camas, WA, 98607.

Additional information about the City's operations and activities can be obtained from the website at www.cityofcamas.us.

The City has also implemented transparent budgeting in 2015-2016 which can be found at:
www.cityofcamas.us/index.php/financereporting/openbudget

CITY OF CAMAS, WASHINGTON

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
Assets:			
Cash, Cash Equivalents and Pooled Investments	\$ 9,294,565	\$ 10,094,494	\$ 19,389,059
Receivables (Net of Allowance for Uncollectible)	1,619,299	2,577,090	4,196,389
Internal Balances	(1,374,714)	1,374,714	-
Restricted Assets			
Cash, Cash Equivalents and Pooled Investments	2,137,959	6,433,517	8,571,476
Investments	-	15,119,563	15,119,563
Net Pension Assets	3,963,336	-	3,963,336
Capital Assets Not Being Depreciated:			
Land and Improvements to Land	19,525,377	1,015,178	20,540,555
Land Rights	47,038,283	115,031	47,153,314
Construction Work in Progress	1,051,715	4,511,339	5,563,054
Capital Assets Net of Accumulated Depreciation:			
Buildings	12,135,923	21,438,584	33,574,507
Improvements Other than Buildings	4,622,020	19,587,385	24,209,405
Machinery and Equipment	6,334,777	18,998,950	25,333,727
Intangibles	16,131	385,721	401,852
Infrastructure	46,393,049	49,480,641	95,873,690
Total Assets	152,757,720	151,132,207	303,889,927
Deferred Outflows of Resources			
Amounts related to pensions	1,954,974	379,687	2,334,661
Deferred amount on refunding	-	223,615	223,615
Total deferred outflows of resources	1,954,974	603,302	2,558,276
Liabilities:			
Accounts Payable and Other Current Liabilities	1,023,269	812,235	1,835,504
Accrued Interest Payable	46,505	296,717	343,222
Line of Credit	501,883	2,647,259	3,149,142
Custodial Accounts	90,801	-	90,801
Developer Credit	648,866	604,647	1,253,513
Noncurrent Liabilities:			
Due within One Year	1,558,416	3,089,157	4,647,573
Due in More than One Year	17,299,008	45,471,244	62,770,252
Net Pension Liability	5,265,040	2,033,045	7,298,085
Total Liabilities	26,433,788	54,954,304	81,388,092
Deferred Inflows of Resources			
Amounts related to pensions	341,521	49,092	390,613
Total deferred inflows of resources	341,521	49,092	390,613
Net Position:			
Net Investment in Capital Assets	124,445,727	81,303,548	205,749,275
Restricted for:			
Tourism	15,280	-	15,280
Public Safety	129,796	-	129,796
Debt Service	43,537	1,567,095	1,610,632
Capital	4,041,094	5,776,990	9,818,084
Unrestricted	(738,049)	8,084,480	7,346,431
Total Net Position	\$ 127,937,385	\$ 96,732,113	\$ 224,669,498

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

CITY OF CAMAS, WASHINGTON
Statement of Activities
Year Ended December 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 4,231,266	\$ 1,749,509	\$ 95,885	\$ -	\$ (2,385,872)	\$ -	\$ (2,385,872)
Judicial	297,904	195,359	-	-	(102,545)	-	(102,545)
Public Safety	14,653,233	4,863,533	274,330	-	(9,515,370)	-	(9,515,370)
Physical Environment	163,357	52,340	-	-	(111,017)	-	(111,017)
Transportation	5,793,626	12,299	-	6,681,277	899,950	-	899,950
Health and Human Services	7,031	-	-	-	(7,031)	-	(7,031)
Economic Environment	942,463	2,863,275	2,968	-	1,923,780	-	1,923,780
Culture and Recreation	3,491,116	218,803	-	674,088	(2,598,225)	-	(2,598,225)
Interest on Long-Term Debt	446,844	-	-	-	(446,844)	-	(446,844)
TOTAL GOVERNMENTAL ACTIVITIES	30,026,840	9,955,118	373,183	7,355,365	(12,343,174)	-	(12,343,174)
Business Type Activities:							
Water Sewer	11,062,672	12,053,096	-	5,881,163	-	6,871,587	6,871,587
Storm Water Drainage	1,269,118	1,366,535	275,783	-	-	373,200	373,200
Solid Waste	2,139,197	2,457,770	-	-	-	318,573	318,573
TOTAL BUSINESS-TYPE ACTIVITIES	14,470,987	15,877,401	275,783	5,881,163	-	7,563,360	7,563,360
Total Primary Government	\$ 44,497,827	\$ 25,832,519	\$ 648,966	\$ 13,236,528	\$ (12,343,174)	\$ 7,563,360	\$ (4,779,814)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$	11,143,358	\$ -	\$ 11,143,358
Property Taxes Levied for Voted Levy (EMs)					1,426,538	-	1,426,538
Property Taxes, Levied for Debt Service					627,668	-	627,668
Sales and Use Taxes					3,215,650	-	3,215,650
Business and Occupation Taxes					462,385	-	462,385
Excise and Other Taxes					1,864,014	-	1,864,014
Grants and Contributions not Restricted to Specific Programs					1,026,762	-	1,026,762
Miscellaneous					72,298	-	72,298
Transfers					50,000	-	50,000
Unrestricted Investment Earnings					45,582	197,779	243,361
Total General Revenues and Special Items					19,934,255	197,779	20,132,034
Change in Net Position					7,591,081	7,761,139	15,352,220
Net Position - Beginning					115,100,765	89,364,717	204,465,482
Prior Period Adjustments					5,245,539	(393,743)	4,851,796
Net Position - Ending				\$	127,937,385	\$ 96,732,113	\$ 224,669,498

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

CITY OF CAMAS, WASHINGTON

Governmental Funds

Balance Sheet

December 31, 2016

	General Fund	Camas-Washougal Fire & EMS Fund	Growth Management Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash, Cash Equivalents, and Pooled Investments	\$ 2,898,326	\$ 488,328	\$ 4,186,713	\$ 2,264,424	\$ 9,837,791
Property Taxes Receivables	228,688	28,287	-	14,644	271,619
Sales Taxes Receivable	644,787	-	-	-	644,787
Accounts Receivable (net)	29,448	406,404	-	13,035	448,887
Interest Receivable	1,653	-	-	-	1,653
Due from Other Governmental Units	198,205	-	8,302	41,941	248,448
Total Assets	<u>4,001,107</u>	<u>923,019</u>	<u>4,195,015</u>	<u>2,334,044</u>	<u>11,453,185</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts Payable	287,001	249,899	71,371	183,505	791,776
Due to Other Governmental Units	217,137	-	-	-	217,137
Line of Credit	-	206,748	-	-	206,748
Custodial Accounts	90,801	-	-	-	90,801
Total Liabilities	<u>594,939</u>	<u>456,647</u>	<u>71,371</u>	<u>183,505</u>	<u>1,306,462</u>
Deferred Inflows of Resources					
Unavailable revenue	386,340	351,397	-	10,949	748,686
Total deferred inflows of resources	<u>386,340</u>	<u>351,397</u>	<u>-</u>	<u>10,949</u>	<u>748,686</u>
Fund Balances:					
Restricted					
Tourism	-	-	-	15,280	15,280
Public Safety	129,796	-	-	-	129,796
Debt Service	-	-	-	43,537	43,537
Capital Outlay	-	-	4,123,644	2,055,409	6,179,053
Committed - Public Safety	-	114,975	-	-	114,975
Assigned - Cemetery	11,327	-	-	-	11,327
Assigned - Working Capital	161,683	-	-	25,364	187,047
Unassigned	2,717,022	-	-	-	2,717,022
Total Fund Balances	<u>3,019,828</u>	<u>114,975</u>	<u>4,123,644</u>	<u>2,139,590</u>	<u>9,398,037</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,001,107</u>	<u>\$ 923,019</u>	<u>\$ 4,195,015</u>	<u>\$ 2,334,044</u>	<u>\$ 11,453,185</u>

Amounts reported for governmental activities in the statement of net position are different because (See Note II also):

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	133,466,157
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds	748,686
Other items related to Pension activity that are not financial resources therefore, not reported in the funds.	5,536,415
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	3,324,244
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(24,536,154)
Net position of governmental activities	<u>\$ 127,937,385</u>

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

CITY OF CAMAS, WASHINGTON
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2016

	General Fund	Camas-Washougal Fire & EMS Fund	Growth Management Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 10,902,649	\$ 1,426,538	\$ -	\$ 787,601	\$ 13,116,788
Sales and Use Taxes	3,205,091	-	-	10,559	3,215,650
Other Taxes	462,385	-	1,864,014	-	2,326,399
License and Permits	858,726	40,980	-	-	899,706
Intergovernmental	565,214	1,290	400,482	1,858,311	2,825,297
Charges for Services	3,041,681	4,494,297	1,154,586	-	8,690,564
Fines and Forfeits	189,300	31,908	-	-	221,208
Interest Earnings	23,465	(2,130)	(13,261)	43,797	51,871
Rents and Royalties	165,085	-	-	-	165,085
Contributions/Donations	95,885	2,000	-	-	97,885
Miscellaneous	46,839	2,551	-	-	49,390
Total Revenues	<u>19,556,320</u>	<u>5,997,434</u>	<u>3,405,821</u>	<u>2,700,268</u>	<u>31,659,843</u>
Expenditures:					
Current					
General Government	4,259,310	-	-	-	4,259,310
Judicial	301,057	-	-	-	301,057
Public Safety	5,495,626	8,869,299	-	-	14,364,925
Physical Environment	180,497	-	-	-	180,497
Transportation	-	-	-	1,564,892	1,564,892
Mental and Physical Health	7,031	-	-	-	7,031
Economic Environment	972,947	-	-	8,348	981,295
Culture and Recreation	2,946,232	-	84,636	-	3,030,868
Capital Outlay	106,473	206,748	1,132,812	4,591,401	6,037,434
Debt Service					
Principal Retirement	-	-	-	1,443,741	1,443,741
Interest and Other Charges	4,896	4,643	-	508,344	517,883
Total Expenditures	<u>14,274,069</u>	<u>9,080,690</u>	<u>1,217,448</u>	<u>8,116,726</u>	<u>32,688,933</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,282,251	(3,083,256)	2,188,373	(5,416,458)	(1,029,090)
Other Financing Sources (Uses)					
Sale of Capital Assets	-	10,000	-	-	10,000
Insurance Recoveries	20,178	18,233	-	37,030	75,441
Transfers In	-	3,143,888	269,429	2,883,695	6,297,012
Transfers Out	(4,488,456)	(55,066)	(1,161,192)	(542,298)	(6,247,012)
Total Other Financing Sources and Uses	<u>(4,468,278)</u>	<u>3,117,055</u>	<u>(891,763)</u>	<u>2,378,427</u>	<u>135,441</u>
Net Change in Fund Balances	813,973	33,799	1,296,610	(3,038,031)	(893,649)
Fund Balance at Beginning of Year	2,153,573	81,176	2,827,034	5,177,621	10,239,404
Prior Period Adjustments	52,282	-	-	-	52,282
Fund Balance at End of Year	<u>\$ 3,019,828</u>	<u>\$ 114,975</u>	<u>\$ 4,123,644</u>	<u>\$ 2,139,590</u>	<u>\$ 9,398,037</u>

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

CITY OF CAMAS, WASHINGTON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds:	\$	(893,649)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.		1,056,734
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		5,493,281
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(82,534)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,443,554
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		209,167
Internal service funds are used by management to charge the costs of equipment, insurance and printing to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		364,528
Change in net position of governmental activities	\$	<u>7,591,081</u>

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

CITY OF CAMAS, WASHINGTON

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Compared to Budget (GAAP Basis) and Actual

For the Fiscal Year Ended December 31, 2016

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 10,787,304	\$ 10,787,304	\$ 10,902,649	\$ 115,345
Sales and Use Taxes	3,346,074	3,346,074	3,205,091	(140,983)
Other Taxes	509,638	509,638	462,385	(47,253)
License and Permits	798,758	798,758	858,726	59,968
Intergovernmental	576,467	576,467	565,214	(11,253)
Charges for Services	3,001,458	3,010,014	2,994,181	(15,833)
Fines and Forfeits	237,753	237,753	189,300	(48,453)
Interest Earnings	61,434	61,434	23,502	(37,932)
Rents and Royalties	173,481	173,481	165,085	(8,396)
Contributions/Donations	40,722	82,972	95,885	12,913
Miscellaneous	46,485	46,485	45,300	(1,185)
Total Revenues	<u>19,579,574</u>	<u>19,630,380</u>	<u>19,507,318</u>	<u>(123,062)</u>
Expenditures:				
Current				
General Government	4,257,637	4,353,854	4,259,310	(94,544)
Judicial	294,245	301,745	301,057	(688)
Public Safety	5,797,736	5,788,279	5,495,626	(292,653)
Mental and Physical Health	5,000	5,000	7,031	2,031
Economic Environment	1,065,751	1,049,251	972,947	(76,304)
Culture and Recreation	3,004,158	3,045,071	2,946,232	(98,839)
Capital Outlay	62,000	128,000	106,473	(21,527)
Debt Service				
Interest and Other Charges	-	5,000	4,896	(104)
Total Expenditures	<u>14,486,527</u>	<u>14,676,200</u>	<u>14,093,572</u>	<u>(582,628)</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	5,093,047	4,954,180	5,413,746	459,566
Other Financing Sources (Uses):				
Insurance Recoveries	-	21,000	20,178	(822)
Transfers Out	(5,045,174)	(5,103,104)	(4,629,386)	473,718
Total Other Financing Sources and Uses	<u>(5,045,174)</u>	<u>(5,082,104)</u>	<u>(4,609,208)</u>	<u>472,896</u>
Net Change in Fund Balance	47,873	(127,924)	804,538	932,462
Fund Balances at Beginning of Year	-	-	2,151,679	2,151,679
Prior Period Adjustments	-	-	52,282	52,282
Fund Balances at End of Year	<u>\$ 47,873</u>	<u>\$ (127,924)</u>	<u>\$ 3,008,499</u>	<u>\$ 3,136,423</u>
Adjustments to general accepted accounting principles (GAAP) Basis				
Cemetery Fund			11,327	
Fund Balance - GAAP basis			<u>\$ 3,019,826</u>	

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

CITY OF CAMAS, WASHINGTON
Camas-Washougal Fire & EMS Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Compared to Budget (GAAP Basis) and Actual
For the Fiscal Year Ended December 31, 2016

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 1,266,902	\$ 1,266,902	\$ 1,426,538	\$ 159,636
License and Permits	25,370	25,370	40,980	15,610
Intergovernmental	-	-	1,290	1,290
Charges for Services	4,457,270	4,457,270	4,494,297	37,027
Fines and Forfeits	13,818	13,818	31,908	18,090
Interest Earnings	2,018	2,018	(2,130)	(4,148)
Contributions/Donations	850	850	2,000	1,150
Miscellaneous	5,700	5,700	2,551	(3,149)
Total Revenues	<u>5,771,928</u>	<u>5,771,928</u>	<u>5,997,434</u>	<u>225,506</u>
Expenditures:				
Current				
Security/Persons and Property	8,505,353	8,891,474	8,869,299	(22,175)
Capitalized Expenditures	-	207,000	206,748	(252)
Debt Service				
Interest and Other Charges	-	-	4,643	4,643
Total Expenditures	<u>8,505,353</u>	<u>9,098,474</u>	<u>9,080,690</u>	<u>(17,784)</u>
Excess (Deficiency) of Revenues				
Over (under) Expenditures	(2,733,425)	(3,326,546)	(3,083,256)	243,290
Other Financing Sources (Uses):				
Intergovernmental Loan Proceeds	-	250,000	-	(250,000)
Sale of Capital Assets	-	-	10,000	10,000
Insurance Recoveries	-	-	18,233	18,233
Transfers In	3,093,888	3,143,888	3,143,888	-
Transfers Out	-	(60,000)	(55,066)	4,934
Total Other Financing Sources and Uses	<u>3,093,888</u>	<u>3,333,888</u>	<u>3,117,055</u>	<u>(216,833)</u>
Net Change in Fund Balance	360,463	7,342	33,799	26,457
Fund Balances at Beginning of Year	-	-	81,176	81,176
Fund Balances at End of Year	<u>\$ 360,463</u>	<u>\$ 7,342</u>	<u>\$ 114,975</u>	<u>\$ 107,633</u>

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

CITY OF CAMAS, WASHINGTON
Proprietary Funds
Statement of Net Position
December 31, 2016

	Enterprise Funds				(Governmental Activities)
	Water-Sewer	Storm Water	Non-Major Solid Waste Fund	Total	Internal Service - Equipment Rental
Assets:					
Current Assets:					
Cash, Cash Equivalents, and Pooled Investments	\$ 6,652,747	\$ 1,841,201	\$ 1,600,546	\$ 10,094,494	\$ 1,594,733
Receivables					
Accounts	1,705,130	242,979	440,830	2,388,939	3,905
Due from Other Governmental Units	-	187,551	-	187,551	-
Restricted Assets					
Cash and Cash Equivalents	6,433,517	-	-	6,433,517	-
Investments	15,119,563	-	-	15,119,563	-
Interest Receivable	600	-	-	600	-
Total Current Assets	<u>29,911,557</u>	<u>2,271,731</u>	<u>2,041,376</u>	<u>34,224,664</u>	<u>1,598,638</u>
Noncurrent Assets:					
Nondepreciable Assets:					
Land and Improvements to Land	1,015,178	-	-	1,015,178	104,732
Land Rights	92,845	22,186	-	115,031	-
Construction in Progress	4,155,957	355,382	-	4,511,339	-
Property, Plant and Equipment (Net)					
Building	21,438,584	-	-	21,438,584	679,130
Intangible Assets	385,721	-	-	385,721	-
Improvements Other than Buildings	9,918,134	9,669,251	-	19,587,385	41,840
Machinery and Equipment	18,986,219	12,731	-	18,998,950	2,825,416
Infrastructure	45,498,995	3,981,646	-	49,480,641	-
Total Noncurrent Assets	<u>101,491,633</u>	<u>14,041,196</u>	<u>-</u>	<u>115,532,829</u>	<u>3,651,118</u>
Total Assets	<u>131,403,190</u>	<u>16,312,927</u>	<u>2,041,376</u>	<u>149,757,493</u>	<u>5,249,756</u>
Total Deferred Outflows of Resources					
Deferred Amount on Refunding	223,615	-	-	223,615	-
Amounts related to pensions	280,188	45,114	54,385	379,687	46,373
Total Deferred Outflows of Resources	<u>503,803</u>	<u>45,114</u>	<u>54,385</u>	<u>603,302</u>	<u>46,373</u>
Liabilities					
Current Liabilities:					
Accounts Payable	633,737	39,705	138,386	811,828	14,356
Accrued Interest Payable	293,713	3,004	-	296,717	-
Accrued Employee Benefits	15,476	1,792	2,054	19,322	2,108
Line of Credit	2,647,259	-	-	2,647,259	295,135
Bonds, Notes and Loans Payable	3,012,332	57,503	-	3,069,835	-
Payable from Restricted Assets	407	-	-	407	-
Total Current Liabilities	<u>6,602,924</u>	<u>102,004</u>	<u>140,440</u>	<u>6,845,368</u>	<u>311,599</u>
Noncurrent Liabilities:					
Bonds, Notes and Loan Payable	44,347,386	863,832	-	45,211,218	-
Unearned Revenue - Developer Credit	604,647	-	-	604,647	-
Net Pension Liability	1,500,278	241,563	291,204	2,033,045	248,305
Accrued Employee Benefits	200,800	16,130	43,096	260,026	31,271
Total Noncurrent Liabilities	<u>46,653,111</u>	<u>1,121,525</u>	<u>334,300</u>	<u>48,108,936</u>	<u>279,576</u>
Total Liabilities	<u>53,256,035</u>	<u>1,223,529</u>	<u>474,740</u>	<u>54,954,304</u>	<u>591,175</u>
Deferred Inflows of Resources					
Amounts related to Pensions	36,227	5,833	7,032	49,092	5,996
Total deferred inflows of resources	<u>36,227</u>	<u>5,833</u>	<u>7,032</u>	<u>49,092</u>	<u>5,996</u>
Net Position:					
Net Investment in Capital Assets	67,960,072	13,119,861	-	81,079,933	3,651,118
Restricted for Debt Service	1,567,095	-	-	1,567,095	-
Restricted for Capital Purposes	5,776,990	-	-	5,776,990	-
Unrestricted	3,310,574	2,008,818	1,613,989	6,933,381	1,047,840
Total Net Position	<u>\$ 78,614,731</u>	<u>\$ 15,128,679</u>	<u>\$ 1,613,989</u>	<u>\$ 95,357,399</u>	<u>\$ 4,698,958</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				1,374,714	
Net Position of Business-type Activities				<u>\$ 96,732,113</u>	

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

CITY OF CAMAS, WASHINGTON
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended December 31, 2016

	Enterprise Funds				(Governmental Activities)
	Water-Sewer	Storm Water	Non-Major Solid Waste Fund	Total	Internal Service - Equipment Rental
Operating Revenues:					
Charge for Services	\$ 11,411,593	\$ 1,366,535	\$ 2,457,770	\$ 15,235,898	\$ 1,938,221
Total Operating Revenues	<u>11,411,593</u>	<u>1,366,535</u>	<u>2,457,770</u>	<u>15,235,898</u>	<u>1,938,221</u>
Operating Expenses:					
Collection and Disposal	-	-	1,927,265	1,927,265	-
Storm Drainage Operations and Maintenance	-	514,241	-	514,241	-
Water Operations and Maintenance	2,453,392	-	-	2,453,392	-
Sewer Operations and Maintenance	2,730,173	-	-	2,730,173	-
Customer Accounts	77,005	-	-	77,005	-
Administration	1,181,535	204,890	234,656	1,621,081	-
Equipment Rental Operations	-	-	-	-	765,043
Taxes	435,240	38,354	88,378	561,972	-
Depreciation and Amortization	3,183,705	543,151	-	3,726,856	538,136
Total Operating Expenses	<u>10,061,050</u>	<u>1,300,636</u>	<u>2,250,299</u>	<u>13,611,985</u>	<u>1,303,179</u>
Operating Income (loss)	1,350,543	65,899	207,471	1,623,913	635,042
Nonoperating Revenues (Expenses)					
Interest Earnings	204,446	(3,383)	(3,284)	197,779	(6,283)
State and Federal Grants	-	10,857	-	10,857	-
Interest and Fiscal Charges	(1,136,153)	(32,957)	-	(1,169,110)	(2,483)
Gain (Loss) on Disposal of Assets	3,821	-	-	3,821	42,801
Miscellaneous Revenue (Expense)	641,503	-	-	641,503	1,738
Total Nonoperating Revenues (Expenses)	<u>(286,383)</u>	<u>(25,483)</u>	<u>(3,284)</u>	<u>(315,150)</u>	<u>35,773</u>
Income (Loss) before Contributions	1,064,160	40,416	204,187	1,308,763	670,815
Capital Contributions	5,881,163	264,926	-	6,146,089	-
Change in Net Position	6,945,323	305,342	204,187	7,454,852	670,815
Increase (Decrease) in Net Position	6,945,323	305,342	204,187	7,454,852	670,815
Total Net Position at Beginning of Year	71,814,867	15,071,621	1,409,802		4,028,143
Prior Period Adjustments	(145,459)	(248,284)	-		-
Total Net Position at End of Year	<u>\$ 78,614,731</u>	<u>\$ 15,128,679</u>	<u>\$ 1,613,989</u>		<u>\$ 4,698,958</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				306,287	
Change in Net Position of Business-type Activities				<u>\$ 7,761,139</u>	

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

CITY OF CAMAS, WASHINGTON
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2016

	Enterprise Funds				(Governmental Activities)
	Water-Sewer	Storm Water	Non-Major Solid Waste Fund	Total	Internal Service - Equipment Rental
Cash Flows from Operating Activities:					
Cash received from Customers	\$ 11,303,680	\$ 1,344,384	\$ 2,441,062	\$ 15,089,126	\$ -
Cash received from Interfund Services Provided	-	-	-	-	1,940,202
Cash payments to Suppliers	(4,052,621)	(150,800)	(571,251)	(4,774,672)	(393,600)
Cash payments to Employees	(2,224,148)	(331,235)	(381,625)	(2,937,008)	(465,431)
Cash payments to Disposal Contractor	-	-	(639,530)	(639,530)	-
Cash payments for Interfund Services Used	(386,547)	(251,333)	(449,198)	(1,087,078)	-
Cash outflow for Taxes Paid	(435,239)	(38,354)	(88,378)	(561,971)	-
Cash received from Other Non-Operating Revenues	606,503	-	-	606,503	1,738
Net Cash Provided by Operating Activities	4,811,628	572,662	311,080	5,695,370	1,082,909
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	-	-
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Capital Grants	-	100,040	-	100,040	-
Proceeds from Other Long Term Debt	3,459,803	-	-	3,459,803	-
Acquisition and Construction of Capital Assets	(7,073,127)	(317,769)	-	(7,390,896)	(568,924)
Principal Paid on Revenue Bonds	(705,000)	(26,025)	-	(731,025)	-
Principal Paid on Other Long Term Obligations	(1,907,721)	(26,404)	-	(1,934,125)	-
Interest Paid on Revenue Bonds and Other Long Term Debt	(1,192,097)	(34,691)	-	(1,226,788)	-
Proceeds from Line of Credit	2,647,259	-	-	2,647,259	544
Interest Paid on Short Term Debt	(32,239)	-	-	(32,239)	(2,483)
Capital Contributed from Customers and Developers	1,593,342	-	-	1,593,342	-
Proceeds from Sale of Property	-	-	-	-	84,884
Proceeds from Insurance Recoveries	3,821	-	-	3,821	-
Net Cash Provided for Capital and Related Financing Activities	(3,205,959)	(304,849)	-	(3,510,808)	(485,979)
Cash Flows from Investing Activities:					
Interest on Investments and Cash Equivalents	349,828	(3,381)	(3,284)	343,163	(6,283)
Purchase of Investment Securities	(1,496,284)	-	-	(1,496,284)	-
Proceeds from Sale and Maturities of Investment Securities	1,263,617	-	-	1,263,617	-
Net Cash Used by Investing Activities	117,161	(3,381)	(3,284)	110,496	(6,283)
Net Increase (Decrease) in Cash and Cash Equivalents	1,722,830	264,432	307,796	2,295,058	590,647
Cash and Cash Equivalents at Beginning of Year	11,363,434	1,576,769	1,292,750	14,232,953	1,004,086
Cash and Cash Equivalents at End of Year	\$ 13,086,264	\$ 1,841,201	\$ 1,600,546	\$ 16,528,011	\$ 1,594,733
Cash and cash equivalents	\$ 6,652,747	\$ 1,841,201	\$ 1,600,546	\$ 10,094,494	\$ 1,594,733
Restricted cash and cash equivalents	6,433,517	-	-	6,433,517	-
Total Cash and Cash Equivalents	\$ 13,086,264	\$ 1,841,201	\$ 1,600,546	\$ 16,528,011	\$ 1,594,733

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

CITY OF CAMAS, WASHINGTON
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2016

	Enterprise Funds				(Governmental Activities)
	Water-Sewer	Storm Water	Non-Major Solid Waste Fund	Total	Internal Service - Equipment Rental
Reconciliation of Operating Income (Loss) to Net					
Cash Used by Operating Activities:					
Net Operating Income (Loss)	\$ 1,350,543	\$ 65,899	\$ 207,471	\$ 1,623,913	\$ 635,042
Adjustments to Reconcile Net Operating Income (Loss) to Net					
Cash Provided by Operations:					
Depreciation Expense	3,183,705	543,151	-	3,726,856	538,136
(Increase) Decrease in Receivables	(101,493)	(22,151)	(16,708)	(140,352)	1,981
Increase (Decrease) in Current Payables	(439,328)	(3,873)	60,176	(383,025)	(26,578)
Increase (Decrease) in Accrued Employee Benefits	(4,781)	1,035	(2,629)	(6,375)	(6,867)
Increase (Decrease) in Pension Related items	216,479	(11,399)	62,770	267,850	(60,543)
Receipt of Non-Operating Revenues	606,503	-	-	606,503	1,738
Total Adjustments	3,461,085	506,763	103,609	4,071,457	447,867
Net Cash Provided by Operating Activities	\$ 4,811,628	\$ 572,662	\$ 311,080	\$ 5,695,370	\$ 1,082,909
Noncash Investing, Financing and Capital Activities					
Capital Assets Donated	\$ 1,907,707	\$ -	\$ -	\$ 1,907,707	\$ -
Capital Assets Built for Future Impact Credits	54,032	-	-	54,032	-
Debt forgiven by Commerce	1,900,817	-	-	1,900,817	-
Loal Fee Charged by Commerce	34,000			34,000	
Net Change in Fair Value of Investments	136,598	-	-	136,598	-

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

CITY OF CAMAS, WASHINGTON
Statement of Fiduciary Net Position
December 31, 2016

	<u>Firemen's Pension Fund</u>	<u>Agency Fund - Library</u>
Assets:		
Cash, Cash Equivalents, and Pooled Investments	\$ 2,477,392	\$ 100,309
Total Assets	<u>2,477,392</u>	<u>100,309</u>
Liabilities:		
Deposits payable	<u>-</u>	<u>100,309</u>
Total Liabilities	<u>-</u>	<u>100,309</u>
Fiduciary Net Position		
Restricted for Fiduciary Funds	<u><u>\$ 2,477,392</u></u>	<u><u>\$ -</u></u>

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

CITY OF CAMAS, WASHINGTON
Statement of Changes in Fiduciary Net Position
For The Year Ended December 31, 2016

	<u>2016</u>
Additions:	
Total Contributions	<u>-</u>
Investment Income:	
Interest Earnings	\$ <u>(2,239)</u>
Net Investment Income	<u>(2,239)</u>
Total Additions	<u>(2,239)</u>
Deductions:	
Pension Benefits	23,399
Transfer Out	50,000
Total Deductions	<u>73,399</u>
Net Increase in Fiduciary Net Position	(75,638)
Net Position - Beginning	<u>2,553,030</u>
Net Position - Ending	\$ <u><u>2,477,392</u></u>

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

City of Camas

Notes to the Financial Statements

December 31, 2016

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Camas, Washington have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. **REPORTING ENTITY**

The City of Camas was incorporated June 2, 1906 and operates under laws of the State of Washington applicable to non-charter code cities with a mayor-council form of government. As required by generally accepted accounting principles the financial statements present the City of Camas, the primary government. The City provides police, fire, streets, solid waste management, recreation, library, cemetery, public improvements, planning and zoning, storm water management, water supply, treatment and distribution and sewage collection and treatment services. In addition, the City also provides fire protection services to all City of Camas and Washougal residents and provides ambulance and emergency aid to all City of Camas residents and residents of the geographic area of the City of Washougal and East County Fire and Rescue. To support these functions, the City of Washougal pays their proportionate cost of fire protection services and the City of Washougal and East County Fire and Rescue levies EMS property taxes and remits to the City their share of funding the ambulance and emergency aid services provided.

B. **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Government-Wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs for centralized services are included in program expenses reported for individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City incurs indirect costs for charges that benefit other funds such as administrative costs and overhead. The General Fund pays for all of the costs of operating City Hall, for general office supplies, the audit, banking services, and other administrative costs. The expenses are for the benefit of more than just the General Fund. Through an allocation procedure, the other funds are charged for proportionate share of the costs. For example, the audit costs are allocated based upon the City's actual expenditures and the Information Technology department costs by the number of computers by department. The General Fund incurred approximately \$1,449,982 in indirect costs which were reimbursed to the general fund through interfund charges.

Fund Financial Statements are separate financial statements provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Camas/Washougal Fire and Emergency Medical Services Fund* was established to account for the revenues and expenditures made in purchasing, maintaining and operating providing fire services for the City and the City of Washougal and emergency aid service and ambulance transport for the City, the City of Washougal and East County Fire and Rescue. The primary revenue for this is voted EMS property tax levy funds and the City of Washougal and East County Fire and Rescue pay the City a fee from their EMS levies to fund their proportionate share of service. Additionally, the City of Washougal makes additional contributions to fund Washougal's proportionate share of fire services and to build reserves. Beginning in 2016, East County Fire and Rescue contracted with the City of Camas to provide Fire Chief services. The monthly service fee is reconciled to actual expenses each year and any variance adjusts the next year's monthly service fee.

The *Growth Management Fund* is a capital projects fund which accounts for design, construction and extension of governmental capital facilities. Dedicated taxes and fees finance this activity.

The City reports the following major proprietary funds:

The *Water-Sewer Fund* accounts for the activities of one of the City's utilities. Its revenues are received from the sales of water and charges for sewer collection and treatment. Expenses are for maintenance and extensions of water and sewer service facilities, operating and expanding a water supply system, and operating a sewer treatment plant. This fund also reflects the operation of revenue bonds outstanding, cumulative bond reserves and construction funds.

The *Storm Water Fund* accounts for the activities of the City's storm water operations and capital facilities. Revenues are received from charges for storm water drainage services and system development charges. Expenses are for the maintenance of the drainage system, street cleaning, and expanding the City's storm water drainage facilities.

Additionally, the government reports the following fund types:

Debt Service Funds account for the resources accumulated and payments made for principal and interest on the general government except those required to be accounted for in another fund.

Special Revenue Funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulation. Their revenues are earmarked to finance certain activities or functions.

Capital Project Funds account for the acquisition or development of capital facilities for governmental activities. Their major sources of revenues are from proceeds from general obligation bonds, loans, real estate excise tax, impact fees, and grants from other agencies and contributions from other funds.

Internal Service Funds account for equipment management services provided to other departments of the government, or to other governments on a cost reimbursement basis.

The *Pension Trust Fund* accounts for the activities of the Firemen's Pension fund, which accumulates resources for pension benefit payments to qualified firefighter retirees.

The Agency Fund - *Library* accounts for the funds held in a purely custodial nature on behalf of the Friends and Foundation of the Camas Library.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Sales tax is considered to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Taxes, franchise fees, licenses, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water-Sewer, Solid Waste and Storm Water funds, non-major enterprise funds, and the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Cash and Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested directly into government securities with interest accruing for the benefit of the investing funds. The interest earned on these investments is prorated to the various funds. This policy covers all funds operated by the City.

For the purposes of the statement of cash flows, the City considers the Washington State Local Government Investment Pool and the Clark County Investment Pool as cash. Investments in the State Investment Pool and the Clark County Investment Pool are classified as cash equivalents on the financial statements.

Certain Investments for the City are reported at fair value in accordance with GASB statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Likewise, some investments are reported at amortized costs (See also Note IV A).

2. Receivables and Payables

One of the largest receivables for the City of Camas is property taxes. The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1, on property value listed as of the prior May 31. Assessed values are established by the county assessor at 100 percent of fair market value. A revaluation of all property is required every four years. Taxes are due in two equal installments on April 30 and October 31. The county treasurer remits collections daily to the appropriate district (See Note V B). Taxes receivable consists of property taxes.

Other accounts receivable include accrued interest and customer accounts receivable. Accrued interest receivable consists of amounts earned on investments and notes at the end of the year. Customer accounts receivable consists of amounts owed from private individuals or organizations for services. (See Note IV B)

Accounts payable and other current liabilities consist of amounts owed to private individuals or organizations for goods and services and employees for amount for which checks have not been prepared.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Restricted Assets

These accounts contain resources for debt service in enterprise funds. Certain proceeds of the Water-Sewer Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, certain development fees collected within the Water-Sewer Fund are restricted for capital projects.

The current portion of related liabilities are shown as Payables from Restricted Assets. Specific debt service reserve requirements are described in Note IV item E.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. (See Note IV C)

In the case of the initial capitalization of general infrastructure (i.e., those reported by government activities) the City chose to include all such items purchased or constructed by the City with an individual cost of more than \$5,000 regardless of their acquisition date. Historical costs had previously been recorded for these items. General infrastructure donated to the city by developers has been recorded from 1977 forward. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Asset Category	Useful Life
Buildings	50
Infrastructure	10-70
Utility Improvements	10-80
Building Improvements	5-25
Vehicles	3-15
Intangibles	5-10
Office Equipment	5-10
Computer Equipment	5
Software	5

The City has constructed infrastructure with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for

which the assets were acquired, and has included such assets within the applicable column in the Statement of Net Position.

5. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, comp time, and a portion of sick leave. The City records all accumulated unused vacation. The City also records a liability for unpaid accumulated sick leave, as certain employees are eligible to receive 25% of their sick leave balance upon retirement. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. (See also Note IV F)

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Proprietary fund types record bond premiums and discounts, which are capitalized and amortized over the life of the bonds. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expensed in the year the debt is issued.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. (See also Note IV F)

7. Unearned Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria has not been met. (See also Note V H)

8. Restricted Net Position

The government-wide statement of net position reports \$11,573,792 of restricted net position, of which \$4,099,911 is restricted by enabling legislation.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and single employer pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems and the City of Camas Firefighters' Pension Fund, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Fund Balance Classifications

Assets in excess of liabilities are reported as fund balances and are segregated into separate classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or are legally or contractually required to be maintained intact. Resources in nonspendable form include deferred inflows and outflows, petty cash accounts and revolving funds.

Restricted: Fund balance is reported as *restricted* when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Fund balance is reported as *committed* when the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned: Fund balance is reported as *assigned* when the City Council assign amounts for a specific purpose. The City's policy establishing this authorization is to adopt a resolution.

Unassigned: Fund balance reported as unassigned represent net resources in excess of nonspendable, restricted, committed and assigned fund balance. Only the general fund and street fund have unassigned fund balance.

When both restricted and unrestricted resources are available, the City's policy is to use restricted resources first, and then unrestricted resources, as they are needed. When committed, assigned or unassigned amounts are available, the City's policy is to use committed resources first, assigned secondly and finally unassigned resources.

The City displays \$161,683 as assigned working capital in the General Fund. \$700,000 of the unrestricted fund balance this is intended as a stabilization fund. This is classified as unrestricted because the City did not adopt an ordinance to specifically set these funds aside. No requirements or conditions for addition or spending these funds have been established by the City. The City's policy states that the total of all fund balance of the General Fund is expected to remain at 17% of annual budgeted expenditures.

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position." The details of this difference are as follows:

Net position of the internal service funds	\$ 4,698,958
Less: Internal receivable representing cost to business-type activities in excess of charges - prior years	(1,165,926)
Add: Internal payable representing charges in excess of cost to business-type activities - current year	<u>(208,788)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ <u><u>3,324,244</u></u>

Another element of that reconciliation explains that “other items related to pension activity that are not financial resources therefore, not reported in the funds.” The details of this difference are as follows:

Net pension assets	\$ 3,963,336
Deferred outflows related to pensions	2,040,822
Deferred inflows related to pensions	<u>(467,743)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ <u><u>5,536,415</u></u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds Payable	\$ 8,620,492
Plus issuance premiums	830,627
Accrued Interest Payable	46,688
Due to other governments	5,202,560
Plus issuance premiums	155,648
Net Pension Liability	5,016,735
Net OPEB Obligation	2,503,714
Impact Fee Credits	648,866
Compensated Absences	<u>1,510,824</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ <u><u>24,536,154</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position*

of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures.” However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital Outlay	\$ 6,037,434
Depreciation expense	<u>(4,980,700)</u>
Net adjustment to increase <i>net changes in fund balances- governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>1,056,734</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	\$ 5,919,722
Net book value of assets retired	<u>(426,441)</u>
Net adjustment to increase <i>net changes in fund balances- governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>5,493,281</u></u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this difference are as follows:

Impact Fee Credit revenues recognized	\$ 316,484
Court receipts	2,300
EMS receipts	(78,134)
State contribution towards LEOFF plan	255,689
Grant revenues recognized	(659,649)
Property taxes	<u>80,776</u>
Net adjustments to increase <i>net changes in fund balances total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(82,534)</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are capitalized and amortized in the statement of activities.” The details of this difference are as follows:

Principal Repayments	\$ 1,443,554
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>1,443,554</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated Absences	\$ (83,822)
Accrued Interest	9,556
Net Pension Adjustment	269,112
Net OPEB Obligation	(47,162)
Amortization of premium on issuance of debt	<u>61,483</u>
Net adjustment to decrease <i>net changes in fund balances - t governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>209,167</u>

Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this difference are as follows:

Change in net position of internal service funds	\$ 670,815
Less: Profit from charges to business-type activities	<u>(306,287)</u>
Net adjustment to decrease <i>net changes in fund balances - t governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>364,528</u>

NOTE III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City of Camas adopted a budget in accordance with provisions of the Revised Code of Washington (RCW), as interpreted by the Budgeting, Accounting, and Reporting Systems (BARS) of the State of Washington.

Biennial appropriated budgets are adopted for the General Fund, special revenue funds and debt service funds, on the modified accrual basis of accounting. The City Council elected the biennial budget to take the form of two one year budgets. The budget statements in this report are presented on generally accepted accounting principles (GAAP) basis. The adopted budget on the other hand, assumes that all revenues and expenditures as well as associated cash, will be received or expended during the fiscal year.

The City budgets the Cemetery Fund activity as if it was a special revenue fund. However, GAAP requires this activity to be reported with the General Fund, as they do not have significant streams of restricted resources.

From a budgetary perspective, the City budgets for the Cemetery activity separate from the General Fund. The budgetary comparison for the General Fund does not include the managerial fund.

Capital project funds and special assessment projects are appropriated as projects are scheduled, on the modified accrual basis of accounting.

The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is adopted at the fund level. All appropriations lapse at the end of the year.

Budget amounts shown on the basic financial statements include the original budget amounts and all appropriation transfers and adjustments approved by the City Administrator or City Council as required. The City Administrator is authorized to transfer budget amounts 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 or other conditions of employment must be approved by the City Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriations for a particular fund it may do so by ordinance approved by one more than the majority after holding public hearings.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

NOTE IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments are presented on the balance sheet in the basic financial statements at fair value or amortized cost, which approximates fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and in accordance with GASB Statement 72, *Fair Value Measurement and Application*.

The reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the government-wide and fund financial statements is as follows:

Cash and Investments by Type		
Checking Accounts	\$	249,165
Petty Cash	\$	5,220
Washington State Local Govt. Investment Pool	\$	675,068
Clark County Investment Pool	\$	7,809,874
Fair Value of Securities Held in Safekeeping	\$	36,918,472
Grand Total Cash and Investments by Type	\$	45,657,799

Cash, Cash Equivalents and Pooled Investments	\$	21,527,018
Restricted - Cash, CE and Pooled Inv	\$	6,433,517
Investments	\$	15,119,563
Fiduciary Funds	\$	2,577,701
Grand Total Cash and Investments on Statements	\$	45,657,799

	Cash & Equivalents, Pooled Investments	Restricted Cash	Restricted Investments
Governmental Funds			
General Fund	\$ 2,898,326		
Camas-Washougal Fire & EMS	\$ 488,328		
Growth Management	\$ 4,186,713		
Other Governmental Funds	\$ 126,465	\$ 2,137,959	
Proprietary Funds			
Water-Sewer	\$ 6,652,747	\$ 6,433,517	\$ 15,119,563
Storm Water	\$ 1,841,201		
Solid Waste	\$ 1,600,546		
Internal Service	\$ 1,594,733		
Fiduciary Funds			
Firemen's Pension Fund	\$ 2,477,392		
Agency Fund	\$ 100,309		
	\$ 21,966,760	\$ 8,571,476	\$ 15,119,563
Grand Total Cash and Investments by Statements			\$ 45,657,799

Deposits:

All the City's deposits are insured by FDIC, or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. Total public deposits may not exceed one and one-half times its net worth or 30% of the total public funds on deposit statewide in each qualified public depository. If public deposits exceed either of these limitations, it must collateralize the excess at 100%.

Investments:

Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentality's, banker's acceptances, repurchase agreements, county investment pool and the state treasurer's investment pool.

The City is currently invested in two public funds investment pools, Washington State Local Government Investment Pool (LGIP), which is reported at amortized cost, and the Clark County Investment Pool (CCIP), reported at fair value. Otherwise, investments for the City are reported at fair value.

The LGIP and CCIP operate in accordance with appropriate state laws and regulations. The LGIP transacts with its participants at a stable net asset value per share and meets the portfolio maturity, quality, diversification, liquidity and shadow pricing requirements that allows it to report at amortized costs. Further, The LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission.

The CCIP is not SEC-registered and is unrated investment pool. Authority to manage the Pool is derived from the Revised Code of Washington (RCW) in RCW 36.29.022.

The weighted average maturities of the LGIP and CCIP are less than three (3) months and approximately one (1) year, respectively, with cash available to the City on demand. The on demand availability of these funds defines them as cash equivalent liquid investments. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP or CCIP. The LGIP is audited by the Washington State Auditor's Office and regulated by Washington RCWs and the LGIP Advisory Committee. The CCIP is overseen by the Clark County Finance Committee and is audited annually by the Washington State Auditor's Office and regulated by Washington RCWs.

Investments Measured at Amortized Cost

As of December 31, 2016, the City had the following investments at amortized cost.

Investment	Maturities	Investment held by City as an agent for other local governments, individuals or private organizations			Total
		City's own investments			
State Investment Pool	N/A	\$ 675,069	\$	0	\$ 675,069
Total		\$ 675,069	\$	0	\$ 675,069

These are reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five day waiting period exists.

Investments Measured at Fair Value

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available

As of December 31, 2016, the City had the following recurring fair value measurements.

Investments by fair value level		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Federal Farm Credit Bank	\$ 18,292,940	\$ 18,292,940	\$ -	\$ -
Fannie May	7,452,206	7,452,206	-	-
Federal Home Loan Bank	3,946,944	3,946,944	-	-
US Treasury Strips	7,167,015	7,167,015	-	-
Total Debt Securities	36,859,105	36,859,105	-	-
Clark County Investment Pool	7,809,874	7,809,874	-	-
Total Investments by Fair Value Level	\$ 44,668,979	\$ 44,668,979	\$ -	\$ -

The investments above include investments pooled for the benefit of specific funds, all of which are presented at fair value. The GO Bond project bond funds at December 31, 2016 held \$2,130,149 in the CCIP. The City of Camas Water/Sewer Bond Reserve held \$103,605 and \$1,462,566 in CCIP and US debt securities, respectively. Likewise, the Water Sewer Revenue Bond Fund held \$1,490,320 in the CCIP and \$13,650,690 in US debt securities.

Interest rate risk. Interest rate risk is the risks that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages exposure to declines in fair values from interest rates by limiting the weighted average maturity of its investment portfolio to maturities that will fulfill the cash flow needs of the City of Camas. The securities in the portfolio are structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs, based on historical information. The maximum average maturity of the portfolio cannot exceed two years. In 2013, the city opted to extend maturities with callable securities. The effective duration of the portfolio is currently 2.34 years with a duration to call of 842 days. Investment maturities at December 31, 2016 is as follows:

Investment Type	Weighted Average (Years)
Washington State Local Govt. Investment Pool	0.08
Clark County Investment Pool	0.83
Federal Farm Credit Bank	3.07
Federal National Mortgage Association	2.26
U.S Treasury Strips	1.38
Federal Home Loan Bank	2.86
	<u>2.47</u>

Credit risk. Credit risk is the risk that an issuer or related party will not fulfill its obligations. To limit risk, state law does not allow general governments to invest in corporate equities. The ratings of debt securities as of December 31, 2016 are:

Debt Security	Standard and Poor's Credit Rating
Federal National Mortgage Association	AA+
Federal Farm Credit	AA+
Federal Home Loan Corp	AA+

Concentration of credit risk. Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City of Camas policy requires that the portfolio be structured to diversify investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. Diversification according to City Policy is limited as follows:

Security Type	Portfolio Maximum
Washington State LGIP or Clark County Investment Pool	75%
Single Financial Institution or Single Security Type	25%
Single Federal Agency	25%

The investments held at year-end are listed below along with their percentage of the government's total investment:

Investment Type	12/31/2016	
	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank	\$ 18,292,940	50%
Fannie Mae	7,452,206	20%
U.S Treasury Strips	7,167,015	19%
Federal Home Loan Bank	3,946,944	11%
	<u>\$ 36,859,105</u>	<u>100%</u>

The Federal Farm Credit bank exceeds the city policy federal agency maximum of 25%.

B. RECEIVABLES

Receivables as of December 31, 2016 for the City's individual major funds, nonmajor, internal services and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts, are shown as follows:

	Taxes	Accounts Receivable	Due from Other Gov'ts	Interest	Total
General Fund	\$ 873,475	\$ 29,448	\$ 198,205	\$ 1,653	\$ 1,102,781
Camas/Wash. Fire-EMS	28,287	406,404	-	-	434,691
GMA	-	-	8,302	-	8,302
Other Govt. Funds	14,644	13,035	41,941	-	69,620
Water-Sewer	-	1,705,130	-	600	1,705,730
Storm Water	-	242,979	187,551	-	430,530
Solid Waste	-	440,830	-	-	440,830
Internal Service	-	3,905	-	-	3,905
Net Receivables	\$ <u>916,406</u>	\$ <u>2,841,731</u>	\$ <u>435,999</u>	\$ <u>2,253</u>	\$ <u>4,196,389</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but have not yet been earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unavailable revenue reported in the governmental funds were as follows:

	Unavailable
Property taxes receivable (general fund)	\$ 196,920
Property taxes receivable (debt service fund)	10,949
Court fines receivable (general fund)	189,420
Grant receivable (38th Street)	-
Accounts receivable (fire EMS fund)	<u>351,397</u>
Total deferred/unavailable revenue for governmental funds	\$ <u>748,686</u>

C. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/15	Reclass Assets	Beginning Balance 01/01/16	Increases	Decreases	Ending Balance 12/31/16
Governmental activities:						
Capital assets, not being depreciated						
Land	\$ 60,990,605	\$ (41,980,046)	\$ 19,010,559	\$ 514,818	\$ -	\$ 19,525,377
Intangibles	1,823,584	41,980,046	43,803,630	3,234,653	-	47,038,283
Construction in progress	828,669		828,669	738,221	515,175	1,051,715
Total capital assets, not being depreciated	63,642,858	-	63,642,858	4,487,692	515,175	67,615,375
Capital assets, being depreciated/depleted						
Buildings	18,319,880	-	18,319,880	74,929		18,394,809
Improvements other than buildings	10,242,221	-	10,242,221	294,152	-	10,536,373
Machinery and equipment	12,610,233	-	12,610,233	1,557,849	1,214,024	12,954,058
Intangibles	106,244	-	106,244	-		106,244
Infrastructure	100,820,863	-	100,820,863	7,854,115	1,456,441	107,218,537
Total capital assets being depreciated	142,099,441	-	142,099,441	9,781,045	2,670,465	149,210,021
Less accumulated depreciation for:						
Buildings	5,831,590	-	5,831,590	427,296	-	6,258,886
Improvements other than buildings	5,521,320	-	5,521,320	393,033	-	5,914,353
Machinery and equipment	6,843,116	-	6,843,116	926,621	1,150,456	6,619,281
Intangibles	85,844	-	85,844	4,269		90,113
Infrastructure	62,838,707	(4,757,348)	58,081,359	3,767,617	1,023,488	60,825,488
Total accumulated depreciation	81,120,577	(4,757,348)	76,363,229	5,518,836	2,173,944	79,708,121
Total capital assets, being depreciated, net	60,978,864	4,757,348	65,736,212	4,262,209	496,521	69,501,900
Governmental activities						
capital assets, net	\$ 124,621,722	\$ 4,757,348	\$ 129,379,070	\$ 8,749,901	\$ 1,011,696	\$ 137,117,275

	Beginning Balance 01/01/16	Increases	Decreases	Ending Balance 12/31/16
Business-type activities:				
Capital assets,				
not being depreciated:				
Land	\$ 1,015,178	\$ -	\$ -	\$ 1,015,178
Land Rights	115,030	-	-	115,030
Construction in progress	10,360,275	6,972,496	12,821,432	4,511,339
Total capital assets,				
not being depreciated:	<u>11,490,483</u>	<u>6,972,496</u>	<u>12,821,432</u>	<u>5,641,547</u>
Capital assets, being depreciated:				
Buildings and system	27,714,330	1,319,042	-	29,033,372
Intangibles	398,611	-	-	398,611
Improvements other than buildings*	22,855,711	5,031,233	-	27,886,944
Machinery and equipment	27,860,034	1,348,286	-	29,208,320
Infrastructure*	60,077,606	6,888,916	-	66,966,522
Total capital assets,				
being depreciated	<u>138,906,292</u>	<u>14,587,477</u>	<u>-</u>	<u>153,493,769</u>
Less accumulated depreciation for:				
Buildings and system	6,800,929	793,859	-	7,594,788
Intangibles	10,085	2,805	-	12,890
Improvements other than buildings*	7,502,091	797,468	-	8,299,559
Machinery and equipment	9,278,476	930,894	-	10,209,370
Infrastructure*	16,284,051	1,201,830	-	17,485,881
Total accumulated depreciation	<u>39,875,632</u>	<u>3,726,856</u>	<u>-</u>	<u>43,602,488</u>
Total capital assets,				
being depreciated, net	99,030,660	10,860,621	-	109,891,281
Business-type activities				
capital assets, net	<u>\$ 110,521,143</u>	<u>\$ 17,833,117</u>	<u>\$ 12,821,432</u>	<u>\$ 115,532,828</u>

* Reclassified beginning balance between categories

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 88,664
Public safety	356,762
Transportation, including depreciation of general infrastructure assets	3,935,175
Physical environment	4,822
Culture and recreation	595,277
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>538,136</u>
Total depreciation expense—governmental activities	<u>\$5,518,836</u>

Business-type activities:

Water-Sewer	\$3,183,705
Storm Water Drainage	<u>543,151</u>
Total depreciation expense—business-type activities	<u>\$3,726,856</u>

Significant Commitments

The City has remaining construction projects as of December 31, 2016. They include Governmental and Business type projects. While these projects have contracts issued for their construction, there is not an immediate liability to the City. Rather, the contracts represent a commitment that should be disclosed. The following lists these commitments:

Governmental Type Construction Projects:

Project	Projects to Date	Remaining Commitment
Street Lighting LED Project	\$1,665,901	\$1,334,099
NW Brady Road Street Improvements	\$465,333	\$1,575,000
NW 6 th and Norwood Improvements	\$3,099,152	\$258,209

Business Activity Construction Projects:

Project	Projects to Date	Remaining Commitment
544 Pressure Zone Project – Water Treatment Facility	\$11,201,130	\$2,572,083
North Shore Sewer Transmission Main	\$1,896,368	\$15,000,000
North Shore Waterline	\$338,308	\$3,100,000

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Loans between funds are classified as interfund loans receivable or payable or as advances to and from other funds on the Statement of Net Position. Within the City, one fund may borrow from another when specifically authorized by council resolution. Due to other funds and due from other funds result from work performed or services rendered to or for the benefit of another fund of the same government.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year is as follows:

Transfers Out:				
Transfers In:	C/W Fire and EMS	Growth Management	Non Major Governmental	Total
General Fund	\$ 3,072,625	\$ -	\$ 1,415,831	\$ 4,488,456
C/W Fire and EMS	-	-	55,066	\$ 55,066
Growth Management	21,263	-	1,139,929	1,161,192
Nonmajor Govt.	-	269,429	272,869	542,298
Water Sewer	-	-	-	-
Firemen's Pension	50,000	-	-	50,000
Total	\$ 3,143,888	\$ 269,429	\$ 2,883,695	\$ 6,297,012

\$1,038,411 of the Growth Management fund transfer to Non-Major fund is for debt payment. The General Fund transfers to non-major governmental funds are for recurring support of street and debt payments. Additionally, \$50,000 was transferred from the Firemen's Pension fiduciary fund to the C/W Fire and EMS fund to subsidize pension expenses. As a result, the transfers across the statement of activities is not in balance.

Interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship.

E. RESTRICTED COMPONENT OF NET POSITION

The balances of the restricted net position in the enterprise funds are as follows:

	Amount
Revenue bond debt service account - Water-Sewer	\$ 1,567,095
Capital Reserve Account - Water-Sewer	5,776,990
	<u>7,344,085</u>

F. LONG-TERM DEBT

GENERAL OBLIGATION DEBT

Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major governmental activity capital facilities. The City had \$9,357,000 in general obligation bonds outstanding on December 31, 2016.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council, and financed from general revenues.

General obligation bonds currently outstanding are as follows:

Name & Amount of Issuance	Governmental Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2005 Unlimited GO (\$5,432,000)	Refunding	10/11/2005	12/1/2020	3.70%	2,282,000
2015 Limited GO (\$7,325,000)	Capital	3/18/2015	12/1/2035	2.0% to 5.0%	7,075,000
Total General Obligation Bonds					<u>\$ 9,357,000</u>

\$40,998 is available in the Debt Service Funds to service the 2005 Unlimited General Obligation Bonds.
Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds						
Governmental Activities			Business Type Activities			
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2017	\$ 770,454	\$ 370,159	\$ 1,140,613	\$ 26,546	\$ 33,200	\$ 59,746
2018	790,934	343,736	1,134,670	27,066	32,669	59,735
2019	820,893	317,900	1,138,793	28,107	31,857	59,964
2020	853,852	289,225	1,143,077	29,148	31,014	60,162
2021	259,811	286,725	546,536	30,189	29,848	60,037
2022-2026	1,455,838	1,117,892	2,573,730	169,163	130,672	299,835
2027-2031	1,836,596	732,301	2,568,897	213,405	86,273	299,678
2032-2035	1,832,294	221,513	2,053,807	212,704	27,248	239,952
	<u>\$ 8,620,672</u>	<u>\$ 3,679,451</u>	<u>\$ 12,300,123</u>	<u>\$ 736,328</u>	<u>\$ 402,781</u>	<u>\$ 1,139,109</u>

Annual debt service requirements to maturity for each of general obligation bonds are as follows:

2005 Unlimited Tax GO Refunding Bonds				
	Coupon Rates	Principal	Interest	Total Requirements
2017	3.70	\$ 542,000	\$ 84,434	\$ 626,434
2018	3.70	558,000	62,580	620,580
2019	3.70	579,000	43,732	622,732
2020	3.70	603,000	22,311	625,311
		<u>\$ 2,282,000</u>	<u>\$ 213,057</u>	<u>\$ 2,495,057</u>

2015 Limited Tax GO Bonds				
	Coupon			Total
	Rates	Principal	Interest	Requirements
2017	2.00	\$ 255,000	\$ 318,925	\$ 573,925
2018	3.00	260,000	313,825	573,825
2019	3.00	270,000	306,025	576,025
2020	4.00	280,000	297,925	577,925
2021	4.00	290,000	286,725	576,725
2022-2026	2.5%-5.0%	1,625,000	1,255,250	2,880,250
2027-2031	5.00	2,050,000	828,750	2,878,750
2032-2035	5.00	2,045,000	261,750	2,306,750
		<u>\$ 7,075,000</u>	<u>\$ 3,869,175</u>	<u>\$ 10,944,175</u>

Government Loans

The City has also received government loans to provide for construction of capital projects. Government loans outstanding at year-end are as follows:

Name & Amount of Issuance	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
<u>Governmental Activities</u>					
1997 PWTF (\$900,000)	Capital	7/1/1997	7/1/2017	3.00%	\$ 57,857
2001 PWTF (\$613,731)	Capital	3/26/2001	7/1/2022	0.50%	166,256
2003 PWTF (\$2,350,000)	Capital	5/21/2004	7/1/2023	0.50%	1,007,913
2012 PWTF (\$2,600,000)	Capital	12/13/2011	6/1/2031	0.50%	2,076,086
2013 State LOCAL (\$1,715,000)	Capital	8/22/2013	6/1/2028	3.52%	1,455,000
2013 State LOCAL (\$259,767)	Capital	8/22/2013	6/1/2021	2.61%	250,748
2013 PWTF (\$300,000)	Capital	6/3/2013	6/1/2018	1.00%	104,285
2013 State LOCAL (\$159,985)	Capital	8/22/2013	6/1/2019	1.62%	84,415
Governmental Total					<u>5,202,560</u>
<u>Business-type Activities</u>					
1999 PWTF (\$3,195,000)	Water-Sewer	5/5/1999	7/1/2019	1.00%	507,272
1996 Department of Ecology (EPA) (\$1,185,920)	Water-Sewer	1996	4/17/2017	4.30%	43,424
1998 Department of Ecology (EPA) (\$8,826,516)	Water-Sewer	1998	9/15/2020	4.10%	2,398,531
2007 PWTF (\$1,000,000)	Water-Sewer	8/6/2007	7/1/2027	0.50%	496,526
2008 PWTF (\$10,000,000)	Water-Sewer	3/7/2008	7/1/2028	0.50%	6,663,158
2009 ARRA (\$1,313,000)	Water-Sewer	4/27/2009	10/1/2032	1.00%	462,261
2011 DOE (\$5,168,026)	Water-Sewer	1/10/2011	6/30/2032	2.80%	4,369,510
2012 PWTF (\$3,740,000)	Water-Sewer	8/9/2012	6/1/2032	0.50%	3,064,372
2012 PWTF (\$10,513,790)	Water-Sewer	4/9/2013	10/1/2036	1.00%	6,397,896
2012 PWTF (\$2,600,000)	Storm Water	12/13/2011	6/1/2031	0.50%	53,160
2012 PWTF (\$2,040,000)	Water-Sewer	8/9/2013	6/1/2032	0.50%	49,427
2013 PWTF (\$300,000)	Storm Water	6/3/2013	6/1/2018	1.00%	45,715
2015 Steigerwald (\$384,549)	Water-Sewer	9/8/2015	7/1/2025	3.75%	356,194
2016 DWSRF Sands (\$2,600,000)	Water-Sewer	12/1/2015	7/1/2036	1.00%	1,170,000
2016 DWSRF - (\$6,000,000)	Water-Sewer	12/1/2015	7/1/2036	1.00%	34,000
Business-type Total					<u>26,111,446</u>
<i>Total Government Loans</i>					<u>\$ 31,314,006</u>

Government loan debt service requirements to maturity are as follows:

Governmental Activities			
	Principal	Interest	Total Requirements
2017	573,285	101,059	674,344
2018	523,092	90,388	613,480
2019	479,038	80,321	559,359
2020	456,265	71,143	527,408
2021	463,092	62,362	525,454
2022-2026	1,710,760	179,679	1,890,439
2027-2031	997,028	22,680	1,019,708
	\$ 5,202,560	\$ 607,632	\$ 5,810,192

Business Type Activities			
	Principal	Interest	Total Requirements
2017	2,166,426	478,072	2,644,498
2018	2,159,734	321,993	2,481,727
2019	2,170,769	279,631	2,450,400
2020	2,092,619	281,235	2,373,854
2021	1,466,262	210,846	1,677,108
2022-2026	7,444,733	781,247	8,225,980
2027-2031	5,643,736	356,221	5,999,957
2032-2036	2,741,727	78,961	2,820,688
2037-2040	225,440	5,588	231,028
	\$ 26,111,446	\$ 2,793,794	\$ 28,905,240

Annual debt service requirements to maturity for each of the individual governmental loans are as follows:

1997 Public Works Trust Fund Loan-Parker St.

	Principal	Interest	Total Requirements
2017 \$	57,857	\$ 1,736	\$ 59,593
\$	<u>57,857</u>	<u>\$ 1,736</u>	<u>\$ 59,593</u>

2001 Public Works Trust Fund Loan-SE 1st Ave

	Principal	Interest	Total Requirements
2017 \$	33,252	\$ 831	\$ 34,083
2018	33,251	665	33,916
2019	33,251	499	33,750
2020	33,251	333	33,584
2021	33,251	166	33,417
\$	<u>166,256</u>	<u>\$ 2,494</u>	<u>\$ 168,750</u>

2003 Public Works Trust Fund Loan-SE 1st Ave

	Principal	Interest	Total Requirements
2017 \$	143,988	\$ 5,040	\$ 149,028
2018	143,988	4,320	148,308
2019	143,987	3,600	147,587
2020	143,987	2,880	146,867
2021	143,987	2,160	146,147
2022-2023	287,976	2,160	290,136
\$	<u>1,007,913</u>	<u>\$ 20,160</u>	<u>\$ 1,028,073</u>

2012 Public Works Trust Fund Loan-38th St

	Governmental Activities			Business Type Activities (Storm)		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2017 \$	138,406	\$ 10,380	\$ 148,786	\$ 3,544	\$ 266	\$ 3,810
2018	138,406	9,688	148,094	3,544	248	3,792
2019	138,406	8,996	147,402	3,544	231	3,775
2020	138,406	8,304	146,710	3,544	213	3,757
2021	138,406	7,612	146,018	3,544	195	3,739
2022-2026	692,028	27,680	719,708	17,720	710	18,430
2027-2031	692,028	10,381	702,409	17,720	266	17,986
\$	<u>2,076,086</u>	<u>\$ 83,041</u>	<u>\$ 2,159,127</u>	<u>\$ 53,160</u>	<u>\$ 2,129</u>	<u>\$ 55,289</u>

2013 Local Option Capital Asset Lending (LOCAL) Loan--Community Center

	Principal	Interest	Total Requirements
2017 \$	90,000	\$ 67,000	\$ 157,000
2018	95,000	62,825	157,825
2019	100,000	57,950	157,950
2020	105,000	52,825	157,825
2021	110,000	47,450	157,450
2022-2026	650,000	145,750	795,750
2027-2028	305,000	12,300	317,300
\$	<u>1,455,000</u>	<u>\$ 446,100</u>	<u>\$ 1,901,100</u>

2013 Local Option Capital Asset Lending (LOCAL) Loan--Ambulance

	Principal	Interest	Total Requirements
2017 \$	26,833	\$ 3,416	\$ 30,249
2018	28,071	2,177	30,248
2019	29,511	738	30,249
\$	<u>84,415</u>	<u>\$ 6,331</u>	<u>\$ 90,746</u>

2013 Local Option Capital Asset Lending (LOCAL) Loan--HVAC

	Principal	Interest	Total Requirements
2017 \$	30,809 \$	11,613 \$	42,422
2018	32,231	10,191	42,422
2019	33,884	8,538	42,422
2020	35,621	6,801	42,422
2021	37,448	4,974	42,422
2022-2023	80,756	4,088	84,844
\$	<u>250,748</u> \$	<u>46,206</u> \$	<u>296,954</u>

2013 Public Works Trust Fund Loan-NW Friberg/NW Goodwin

Governmental Activities				Business Type Activities			
	Principal	Interest	Total Requirements		Principal	Interest	Total Requirement
2017 \$	52,140	\$ 1,043	\$ 53,183	\$	22,860	\$ 457	\$ 23,317
2018	52,145	521	52,666		22,855	229	23,084
\$	104,285	\$ 1,564	\$ 105,849	\$	45,715	\$ 686	\$ 46,401

1999 Public Works Trust Fund Loan-WWTP Upgrade

	Principal	Interest	Total Requirements
2017 \$	169,091 \$	5,073 \$	174,164
2018	169,091	3,382	172,473
2019	169,090	1,691	170,781
\$	<u>507,272</u> \$	<u>10,146</u> \$	<u>517,418</u>

1996 Department of Ecology (EPA) Loan-STP

	Principal	Interest	Total Requirements
2017 \$	43,424 \$	934 \$	44,358
\$	<u>43,424</u> \$	<u>934</u> \$	<u>44,358</u>

1998 Department of Ecology (EPA) Loan-STP

	Principal	Interest	Total Requirements
2017 \$	563,637	\$ 92,621	\$ 656,258
2018	586,983	69,275	656,258
2019	611,296	44,962	656,258
2020	636,615	19,642	656,257
\$	<u>2,398,531</u>	<u>\$ 226,500</u>	<u>\$ 2,625,031</u>

2007 Public Work Trust Fund Loan-WWTP Design

	Principal	Interest	Total Requirements
2017 \$	45,139	\$ 2,483	\$ 47,622
2018	45,139	2,257	47,396
2019	45,139	2,031	47,170
2020	45,139	1,806	46,945
2021	45,139	1,580	46,719
2022-2026	225,692	4,513	230,205
2027	45,139	226	45,365
\$	<u>496,526</u>	<u>\$ 14,896</u>	<u>\$ 511,422</u>

2008 Public Work Trust Fund Loan-WWTP Construction

	Principal	Interest	Total Requirements
2017 \$	555,263	\$ 33,316	\$ 588,579
2018	555,263	30,539	585,803
2019	555,263	27,763	583,026
2020	555,263	24,987	580,250
2021	555,263	22,211	577,474
2022-2026	2,776,316	69,408	2,845,724
2027-2028	1,110,527	8,329	1,118,856
\$	<u>6,663,158</u>	<u>\$ 216,553</u>	<u>\$ 6,879,712</u>

2009 ARRA Loan-Well #14

	Principal	Interest	Total Requirements
2017	\$ 30,817	\$ 4,623	\$ 35,440
2018	30,817	4,314	35,131
2019	30,817	4,006	34,823
2020	30,817	3,698	34,515
2021	30,817	3,390	34,207
2022-2026	154,088	12,318	166,406
2027-2031	154,088	4,623	158,711
	<u>\$ 462,261</u>	<u>\$ 36,972</u>	<u>\$ 499,233</u>

2011 Department of Ecology Loan

	Principal	Interest	Total Requirements
2017	228,382	121,465	349,847
2018	234,859	114,988	349,847
2019	241,520	108,327	349,847
2020	248,370	101,477	349,847
2021	255,414	94,433	349,847
2022-2026	1,389,931	359,304	1,749,235
2027-2031	1,598,540	150,694	1,749,234
2032	172,494	2,429	174,923
	<u>\$ 4,369,510</u>	<u>\$ 1,053,117</u>	<u>\$ 5,422,627</u>

2012 Public Works Trust Fund -- Surface Water Supply

	Principal	Interest	Total Requirements
2017	\$ 319,895	\$ 178,366	\$ 498,261
2018	319,895	60,780	380,675
2019	319,895	57,581	377,476
2020	319,895	54,382	374,277
2021	319,895	51,183	371,078
2022-2026	1,599,474	207,930	1,807,404
2027-2031	1,599,474	127,959	1,727,433
2032-2036	1,599,473	47,985	1,647,458
	<u>\$ 6,397,896</u>	<u>\$ 786,166</u>	<u>\$ 7,184,062</u>

2012 Public Works Trust Fund--Sewer Main

	Principal	Interest	Total Requirements
2017 \$	191,523	\$ 15,322	\$ 206,845
2018	191,523	14,551	206,074
2019	191,523	13,777	205,300
2020	191,523	12,998	204,521
2021	191,523	12,216	203,739
2022-2026	957,616	49,206	1,006,822
2027-2031	957,616	29,053	986,669
2032	191,525	8,389	199,914
\$	<u>3,064,372</u>	<u>\$ 155,512</u>	<u>\$ 3,219,884</u>

	Principal	Interest	Requirements
2017 \$	-	\$ -	\$ -
2018	2,356	247	2,603
2019	2,368	235	2,603
2020	2,380	224	2,604
2021	2,392	212	2,604
2022-2026	12,138	878	13,016
2027-2031	12,444	571	13,015
2032-2036	12,758	257	13,015
2037	2,590	13	
\$	<u>49,426</u>	<u>\$ 2,637</u>	<u>\$ 49,460</u>

2015 Steigerwald Contract --Washougal

	Principal	Interest	Total Requirements
2017 \$	30,228	\$ 22,669	\$ 52,898
2018	32,225	20,672	52,898
2019	34,354	18,544	52,898
2020	36,623	16,274	52,898
2021	39,043	13,855	52,898
2022-2025	183,720	27,871	211,591
	<u>356,194</u>	<u>\$ 119,886</u>	<u>\$ 476,080</u>

2016 DWSRF - Slow Sands			
	Principal	Interest	Total Requirements
2017 \$	-	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	55,714	45,078	100,792
2021	55,714	11,143	66,857
2022-2026	278,572	47,357	325,929
2027-2031	278,572	33,429	312,001
2032-2036	278,572	19,500	298,072
2037-2040	222,856	5,571	228,427
	<u>1,170,000</u>	<u>\$ 162,078</u>	<u>\$ 1,332,078</u>

2016 DWSRF - Water Transmission			
	Principal	Interest	Total Requirements
2017 \$	-	\$ 477	\$ 477
2018	1,789	510	2,299
2019	1,790	483	2,273
2020	1,789	456	2,245
2021	1,790	429	2,219
2022-2026	8,950	1,745	10,695
2027-2031	8,945	1,074	10,019
2032-2036	8,947	403	9,350
	<u>34,000</u>	<u>\$ 5,577</u>	<u>\$ 39,577</u>

REVENUE BONDS

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council and financed from enterprise fund revenues. The original amount of revenue bonds issued in prior years was \$9,890,000. The water sewer revenue bonds are issued to finance capital projects. Revenue bonds outstanding at year-end are as follows:

Revenue bond debt service requirements to maturity are as follows:

<u>Name & Amount of Issuance</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
2007 Water Sewer (\$5,520,000 - partially refunded)	9/5/2007	12/1/2017	5.00%	280,000
2015 Water Sewer Refunding (\$19,145,000)	9/10/2015	12/1/2035	2.0% to 5.0%	18,655,000
<i>Total Revenue Bonds</i>				<u>\$ 18,935,000</u>

<u>Revenue Bonds</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 695,000	\$ 836,475	\$ 1,531,475
2018	720,000	814,175	1,534,175
2019	735,000	799,775	1,534,775
2020	745,000	785,075	1,530,075
2021	770,000	762,725	1,532,725
2022-2026	4,345,000	3,315,975	7,660,975
2027-2031	5,490,000	2,169,575	7,659,575
2032-2035	5,435,000	696,000	6,131,000
	<u>\$ 18,935,000</u>	<u>\$ 10,179,775</u>	<u>\$ 29,114,775</u>

The maximum annual debt service of \$1,534,000 is required to be set aside in the reserve account of the Water-Sewer Fund in accordance with bond requirements. The amount presented on the financial statements is \$1,567.095. Annual debt service requirements to maturity for each of the individual revenue bonds are as follows:

<u>2007 Water-Sewer Bond</u>				
	<u>Coupon Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	5.00	\$ 280,000	\$ 14,000	\$ 294,000
		<u>\$ 280,000</u>	<u>\$ 14,000</u>	<u>\$ 294,000</u>

2015 Water-Sewer Bond/Refunding Bond				
	Coupon			Total
	Rates	Principal	Interest	Requirements
2017	2.00	\$ 415,000	\$ 822,475	\$ 1,237,475
2018	2.00	720,000	814,175	1,534,175
2019	2.00	735,000	799,775	1,534,775
2020	3.00	745,000	785,075	1,530,075
2021	3.00	770,000	762,725	1,532,725
2022-2026	3.0 to 5.0	4,345,000	3,315,975	7,660,975
2027-2031	4.0 to 5.0	5,490,000	2,169,575	7,659,575
2032-2035	3.15-3.27	5,435,000	696,000	6,131,000
		<u>\$ 18,655,000</u>	<u>\$ 10,165,775</u>	<u>\$ 28,820,775</u>

The City is required by revenue bond indenture ordinances to maintain debt service coverage of its revenue bonded debt of at least 1.25. Total operating revenues less operating expenses, not including depreciation and amortization, must be at least 1.25 times the average annual principal and interest due in any one year until date of retirement of the bonds. Debt service coverage from operating revenues for the year ended December 31, 2016 was 2.84.

On December 31, 2015, the City entered into a contractual arrangement with a developer to share the costs of sewer improvements. The developer will pay the city \$2,491,440 over 15 years for their proportionate share of the improvements. The interest rate on the receivable is 3.6918%. The principal amount is \$1.9 million. Annual payments of \$166,096 will begin in October 2016. The City, as the beneficiary, holds an irrevocable Standby Letter of Credit that authorizes the City to make draws against the developer's credit in the event the developer does not make payment. The Letter of Credit expires December 1, 2030. At December 31, 2015, no amount is collectible under this arrangement.

ARBITRAGE

The City has four bond issues subject to arbitrage calculations for the Internal Revenue Service. The first bond, 2005 Unlimited Tax General Obligation Refunding Bonds does not have a rebatable arbitrage liability due to the negative arbitrage calculation of \$10,629, with a final calculation due October 11, 2020. The second bond issue, 2007 Water and Sewer Revenue Bonds also has a negative arbitrage calculation of \$156,496 and has been refunded in 2015. The third bond, 2015 Limited Tax General Obligation Bonds will be subject to arbitrage calculations with the first calculation scheduled for March 18, 2020. The fourth bond issue, 2015 Water and Sewer Revenue and Refunding Bonds will be subject to arbitrage calculations with the first calculation scheduled for September 10, 2020.

PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain water and sewer revenue bonds by placing the proceeds of the new bonds and/or cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2016, \$3,190,000 of bonds outstanding is considered to be defeased.

COMPENSATED ABSENCES

Accumulated amounts of vacation and sick leave are accrued as an expenditure when incurred in Proprietary Funds, but only the amount of reimbursable unused vacation leave payable to employees who have terminated their employment as of the end of the fiscal year is shown as a liability in governmental funds. The remainder of the liability is reported in the governmental activities column of the Statement of Net Position.

As of December 31, 2016, the recorded liability on the government-wide statements for vacation and sick leave is \$1,703,691, with \$1,529,792 recorded in governmental activities and \$173,899 in business-type activities. City employees receive vacation and sick leave time at monthly rates established by city ordinance or union agreement. Vacation is accrued monthly by employees at annual rates ranging from 8 to 30 days depending upon tenure and union agreements with a maximum accrual limit of 50 days. Sick leave accruals vary, depending upon union agreement, between 8 and 18 hours per month. Vacation pay is paid upon termination or retirement, and 25% of sick pay is paid upon retirement.

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term debt changes of the City for the year:

For issuance premiums (discounts)*	874,819	-	44,192	830,627	44,192
Total bonds payable	10,238,286	-	786,987	9,451,299	814,647
Government loans	5,903,325	-	700,765	5,202,560	573,285
Less deferred amounts					
For issuance premiums (discounts)	172,939	-	17,291	155,648	17,295
Total government loans	6,076,264	-	718,056	5,358,208	590,580
Pension/OPEB obligation	2,469,681	46,337		2,516,018	-
Net Pension Liability	4,743,946	521,094	-	5,265,040	-
Compensated absences	1,454,119	1,148,091	1,070,311	1,531,899	153,189
Governmental activity long-term liabilities	<u>\$ 24,982,296</u>	<u>\$ 1,715,522</u>	<u>\$ 2,575,354</u>	<u>\$ 24,122,464</u>	<u>\$ 1,558,416</u>
Business-type activities					
General obligation bonds	\$ 762,533	\$ -	\$ 26,205	\$ 736,328	\$ 26,546
Less deferred amounts					
For issuance premiums (discounts)*	90,690	-	4,553	86,137	4,553
Total GO bonds payable	853,223	-	30,758	822,465	31,099
Revenue bonds	19,640,000	-	705,000	18,935,000	695,000
Less deferred amounts					
For issuance premiums (discounts) on refunding	2,589,451	-	177,309	2,412,142	177,309
Total revenue bonds payable	22,229,451	-	882,309	21,347,142	872,309
Government loans	26,486,586	3,459,803	3,834,943	26,111,446	2,166,427
Pension/OPEB obligation	118,157	-	32,030	86,127	-
Net Pension Liability	1,423,217	609,828	-	2,033,045	
Compensated absences	167,571	165,976	140,326	193,221	19,322
Business-type activity long-term liabilities	<u>\$ 51,278,205</u>	<u>\$ 4,235,607</u>	<u>\$ 4,920,366</u>	<u>\$ 50,593,446</u>	<u>\$ 3,089,157</u>

* Restated to expense \$42,162 of amortization not presented in 2015 statements

The City of Washougal acquired land from the Port of Camas/Washougal to develop a well field near the Steigerwald Wildlife Refuge on the Columbia River. The City of Camas entered into an Utilities Cooperation

Agreement for Water System Development with the City of Washougal for 60% Capacity Allocation. In exchange, the City of Camas agrees to pay 60% of the real estate agreement to the City of Washougal for ten years (\$52,897.72 for ten years).

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end internal service funds compensated absences are \$18,967, net pension liability is \$248,305 and OPEB liability is \$12,304. Also, for the governmental activities, claims and judgments, compensated absences and net other post-employment benefit obligations are generally liquidated by operating funds, such as the General Fund, Street Fund, and the Camas/Washougal Fire and Emergency Medical Services Fund.

The City's legal limit of indebtedness is 1½% of assessed property value without a vote of the taxpayers and 2½% with a vote of the taxpayers. At December 31, 2016, the remaining nonvoted and voted remaining capacity was \$45,109,443 and \$92,135,492, respectively.

G. SHORT-TERM DEBT

The City obtained a tax anticipation note authorized at \$7,000,000 for the purpose of paying expenditures of the City's construction and other funds, pending the receipt of taxes, debt proceeds and other revenues. This note is drawn down as needed, similar to a line of credit. The following funds shared in the borrowing: General Fund, Cemetery, 38th Avenue Construction, Friberg-Strunk Construction, Camas Washougal Fire and EMS fund, and Water Sewer.

The beginning balance of the line of credit was \$768,606, including accrued interest of \$5,659. During 2016, proceeds of \$9,619,318 and repayments of \$7,238,782 were made. At December 31, 2016 the balance of the line of credit was \$3,149,142.

NOTE V. OTHER DISCLOSURES

A. RISK MANAGEMENT

The City 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 168 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical

damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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.

In the past three years, the City has not had any settlements exceeding the City's coverage with WCIA.

B. PROPERTY TAXES

The county treasurer bills and collects all property taxes and remits the City's share once daily. Property taxes are recognized when levied, and measurable and available to finance expenditures of the current period. Property taxes not available to finance the current period are disclosed as deferred revenue on the balance sheet.

A city is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following reasons:

- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all the districts exceed this amount, each is proportionately reduced until total is at or below the one percent limit.
- Washington State Law RCW 84.55.010 limits the growth of regular property taxes to one percent per year or by the Implicit Price Deflator per year (whichever is lower), after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy will decrease.
- The City may voluntarily levy taxes below the legal limit.

Property tax is recorded as a receivable and revenue when levied. No allowance is recorded for uncollectible tax because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal and delinquent taxes are evaluated annually.

The City's regular levy for 2016 was \$3.24 per \$1,000 on an assessed valuation of \$3.332 (billion) for a total regular levy of \$10,804,240.

Special levies approved by the voters are not subject to the limitations described above. In 2016, the City levied an additional \$.39 per \$1,000 to provide emergency medical services for a total additional levy of \$1,290,358. Further, in 2016, the City levied an additional \$.19 for payment of library bonds for a total additional levy of \$624,986.

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (7,298,085)
Pension assets	\$ 3,963,336
Deferred outflows of resources	\$ 2,334,661
Deferred inflows of resources	\$ (390,613)
Pension expense/expenditures	\$ 1,121,013

State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor

and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a

choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

The City's actual PERS plan contributions were \$366,238 to PERS Plan 1 and \$458,690 to PERS Plan 2/3 for the year ended December 31, 2016.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
Total	8.59%	8.41%

The City's actual contributions to the plan were \$394,969 for the year ended December 31, 2016.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$255,689.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June

30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
PERS 1	4,087,549	3,389,626	2,789,022
PERS 2/3	7,196,174	3,908,458	(2,034,578)
LEOFF 1	(163,339)	(274,963)	(370,376)
LEOFF 2	4,181,477	(1,491,107)	(5,766,589)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a total pension liability of \$7,298,085 for its proportionate share of the net pension liabilities and \$1,766,070 for its share of net pension assets as follows:

Plan	Liability or Asset
PERS 1	3,389,626
PERS 2/3	3,908,458
LEOFF 1	(274,963)
LEOFF 2	(1,491,107)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
LEOFF - employer's proportionate share	(274,963)	(1,491,107)
LEOFF - State's proportionate share of the net pension asset associated with the employer	(1,859,841)	(972,094)
TOTAL	(2,134,804)	(2,463,201)

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.06385%	0.06312%	-0.00074%
PERS 2/3	0.07912%	0.07763%	-0.00150%
LEOFF 1	0.02640%	0.02669%	0.00028%
LEOFF 2	0.24740%	0.25637%	0.00897%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the City recognized pension expense as follows:

	Pension Expense
PERS 1	138,551
PERS 2/3	582,124
LEOFF 1	(38,419)
LEOFF 2	438,756
TOTAL	1,121,013

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	85,345	-
Contributions subsequent to the measurement date	186,905	-
TOTAL	\$ 272,250	\$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 208,123	\$ (129,025)
Net difference between projected and actual investment earnings on pension plan investments	478,282	-
Changes of assumptions	40,397	-
Changes in proportion and differences between contributions and proportionate share of contributions	129,668	(47,203)
Contributions subsequent to the measurement date	234,254	
TOTAL	\$ 1,090,724	\$ (176,228)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	27,950	-
TOTAL	\$ 27,950	\$ -

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 204,322	\$ -
Net difference between projected and actual investment earnings on pension plan investments	535,815	-
Changes of assumptions	5,622	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(214,385)
Contributions subsequent to the measurement date	197,978	-
TOTAL	\$ 943,737	\$ (214,385)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2017	(21,014)	41,977	(5,776)	(56,014)
2018	(21,014)	41,977	(5,776)	(56,014)
2019	78,381	372,561	24,206	394,002
2020	48,993	223,727	15,295	256,084
2021	-	-	-	(6,684)
Thereafter	-	-	-	-

CITY OF CAMAS FIREMAN'S PENSION FUND

The Firemen Pension Plan is not administered by DRS, but by the City of Camas.

The City is the administrator of a single employer defined benefit pension plan, the Firemen's Pension Fund. The plan is limited to firefighters and beneficiaries employed before March 1, 1970, and as of March 1, 1970, the plan was closed to new entrants. Firefighters hired before March 1, 1970 at retirement receive the greater of the pension benefit provided under this plan or under the LEOFF plan. Any excess benefit over the LEOFF benefit is provided by the city plan. Future benefits paid under this plan are pension difference payments. This Plan is closely tied to the LEOFF plan therefore, the LEOFF board would be considered the Plan's board. Further, the state Legislature establishes, and amends, laws pertaining to the creation and

administration of all public retirement systems. Any changes to the LEOFF plans, filter over to the City's Firemen Pension Plan.

The plan presently has three inactive individuals retired under the LEOFF plan, but drawing excess benefits from this plan. There are no inactive employees entitled to, but not receiving benefits. Nor are there any active employees eligible to receive benefits. All other firefighter pension benefits are provided under the state pension system, LEOFF.

There are no contribution requirements for this plan, as it is fully funded. There is no separate publicly available report for the Firemen's Pension Fund.

Actuarial Assumptions and Other Inputs

The total pension liability (TPL) for Firemen's Pension plan was determined using the most recent actuarial valuation completed with a valuation date of January 1, 2015. The actuarial assumptions used in the valuation were based on the results of the Independent Actuaries, Inc.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of December 31, 2016, assuming no actuarial gains or losses. Plan liabilities were rolled forward from January 1, 2015, reflecting each plan's normal cost (using the Entry Age Normal method), assumed interest and actual benefit payments.

- **Inflation:** 2.5% total economic inflation
- **Salary increases:** There are no salary related changes necessary as all plan participants are retired.
- **Future Benefit Increases:** Benefits were assumed to inflate at different rates for each of the three benefits. The rate increases ranged from 14.0% to 3.0%.
- **Investment rate of return:** 4.0%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

The discount rate used to measure the total pension liability was 4.0 percent. The long-term expected rate of return on the pension plan investments of 4.0% is based on an assumed inflation rate of 2.5%, plus an assumed 1.5% real rate of return on invested assets. The assumed real rate of return reflects the likelihood that assets will continue to be invested conservatively. There is not significant risk related to the rate of return because the Fiduciary Net Position exceeds 800% of the total pension liability. The assets of the Pension fund are all held within the City of Camas' internal investment pool, which is disclosed in Note IV A. As such there is no estimated rate of return by asset class, as the assets of the Pension plan are not identifiable.

Further, there were no assumptions made about future cash flows, other than the expected benefit payments, as there are no future employer or employee contributions required in the plan.

Sensitivity of NPL

The Trust Fund's net pension liability calculated using the discount rate of 4.0 percent is \$(2,197,266). If the net pension liability were calculated using a discount rate that is 1-percentage point lower (3.0 percent) versus 1-percentage point higher (5.0 percent) than the current rate it would be \$(2,166,058) and \$(2,225,842), respectively.

1% Decrease (3%)	Current Discount Rate (4%)	1% Increase (5%)
\$ (2,166,058)	\$ (2,197,266)	\$ (2,228,541)

Pension Expense

For the year ended December 31, 2016, the trust fund recognized expense in the amount of \$37,077.

Change in Net Pension (Asset)Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2014	\$ 318,276	\$ 2,552,619	\$ (2,234,343)
Changes for the Year			
Interest	12,731	-	12,731
Net Investment income	-	28,124	(28,124)
Benefit payments	(20,929)	(20,929)	-
Other Changes - LEOFF Contribution		(50,000)	50,000
Administrative expense	-	(2,470)	2,470
Net Changes	(8,198)	(45,275)	37,077
Balances at 12/31/2015	\$ 310,078	\$ 2,507,344	\$ (2,197,266)

The fiduciary net position as a percentage of the total pension liability is 808.62%. There is no covered payroll.

Pension Plan Investments

The Firemen's Pension Fund assets consists of \$2,507,344 in pooled investments as of December 31, 2016. The Pension Fund follows the city investment policies as disclosed in Note IV A. Further, as these are pooled investments, there are no identifiable assets.

D. POST RETIREMENT HEALTH CARE PROGRAM (OPEB)

Plan Description:

In addition to the pension benefits described, the City administers a Post-Retirement Health Care Program under a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan provides two basic benefits:

Pre-65 Medical Coverage: The City provides post-retirement health premium benefits continue from retirement until Medicare eligibility for employees retiring with at least 10 years of service, under the provision of the applicable PERS or LEOFF II retirement plan. Eligibility for these benefits is determined by the particular bargaining agreements. These benefits are provided as per requirements of a local ordinance. The City's regular health care benefit providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, there were eighteen employees who had retired and were receiving these benefits.

LEOFF I Healthcare Reimbursements: The City provides health insurance benefits for retired public safety employees. Substantially all city LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the City. These benefits are provided by the city in order to meet state statutory requirements under the LEOFF I system whereby the City will pay for their medical premiums for life.

At December 31, 2016, there are twelve participants who have retired and receive these benefits.

This OPEB plan does not issue a stand-alone financial report nor is it included in the report of another entity.

Funding Policy:

This plan is not currently funded. It is financed on a pay-as-you-go basis.

The City pays the medical insurance premiums on plan members of the pre-65 medical coverage. Qualified spouses and children may qualify for coverage; however, the plan member must pay the entire dependent premium in return for this coverage. Obligations of the employees and City may be amended through the related employee bargaining agreements.

Under the LEOFF I Healthcare Reimbursements, the plan member has no required contributions. Amendments to the plan may be made through State statute.

The City was required to contribute \$379,122, but only contributed \$364,815 at December 31, 2016. This \$364,814 contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. The difference between the OPEB costs and the required contribution is called the Net OPEB Obligation (NOO). The amount of \$2,602,145 is the actuarial accrued liability recognized on the government wide statement of net position. \$2,516,018 and \$86,127 is recognized as a liability on the governmental activities and business type statement of net position, respectively.

As of the most recent actuarial valuation date, January 1, 2015, the total unfunded actuarial liability (UAAL) is \$5,030,423. The covered payroll (annual payroll of active employees covered by the plan) was \$6,485,797 and the ratio of the UAAL to the covered payroll was 78 percent.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB costs contributed	Net OPEB Obligation
2016	379,122	96%	2,602,145
2015	376,879	63%	2,587,838
2014	597,469	74%	2,450,106

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determine in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Actuarial Required Contribution (ARC)	\$	439,360
Interest on Net OPEB obligation (NOO)		103,514
Adjustment to ARC		(163,752)
Annual OPEB Cost		379,122
Employer Contribution		364,815
Increase(decrease) in NOO		14,307
Net OPEB Obligation - Beginning of Year		2,587,838
Net OPEB Obligation - Ending of Year	\$	2,602,145

Actuarial Methods and Assumptions:

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective.

The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

	Pre-65 Medical	LEOFF I
Valuation Date	1/1/2015	1/1/2015
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A	N/A
Interest Rate for Discounting Future Liabilities	4.00%	4.00%
Projected Payroll Growth	3.75%	3.75%
Inflation Rate	2.50%	2.50%
Investment Return	N/A	N/A
Healthcare Cost Trend Rate – Initial	6.5%	6.5%
Healthcare Cost Trend Rate – Ultimate	5%	5%
Amortization Method	Level Dollar	Level Dollar
Amortization Period - Closed	22	11

E. HEALTH & WELFARE

The City 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, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC 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 two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

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

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

F. FEDERAL FINANCIAL ASSISTANCE

The City recorded the following federal grant revenues for 2016.

Federal Catalog No.	Government	Program	Amount
14.218	Dept of Housing and Urban	Community Dev Block Grant	\$400,482
20.205	Dept. of Transportation	Highway Planning and Construction	298,424
66.468	US Environ Protection Agency	Drinking Water Revolving Fund	4,429,056
97.036	Dept of Homeland Security	Disaster Grants	<u>144,270</u>
Total Federal Financial Assistance			<u>\$5,272,232</u>

F. CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities. In the opinion of management, the City's insurance policies with WCIA are adequate to pay all known or pending claims.

As discussed in Note III F, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

The City participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

H. SUBSEQUENT EVENTS

On August 9, 2013, the City received a twenty year loan for \$3,740,000 at .50% interest from the Washington State Department of Commerce to assist with partial financing for the construction of a sewer transmission main with anticipated construction costs of \$4,400,000. As of December 31, 2016 draws of \$3,064,374 had been made on this loan. Annual debt service payments began in 2014, but \$400,000 will be received during 2017 as the project concludes.

On August 9, 2013, the City received a twenty year loan for \$2,040,000 at .50% interest from the Washington State Department of Commerce to assist with partial financing for the construction of a 2 million gallon water reservoir with anticipated construction costs of \$2,400,000. As of December 31, 2016 draws of \$66,033 have been made on this loan by the City. Annual debt service payments were scheduled to commence in 2015, principal payments are deferred until 2017.

On August 27, 2013, the City received a twenty-four year loan of \$7,920,792 at 1% interest from the Drinking Water State Revolving Fund to finance the construction of a pressure zone surface water supply project with anticipated total construction costs of \$8,000,000. At construction completion, \$819,190 of this loan will be forgivable and will reduce the amount of the loan outstanding by this amount. The City has recognized \$730,817 of this forgiveness in 2016. As of December 31, 2016 \$7,128,713 in drawdowns had been made on this loan by the City. The remaining balance will be drawn down in 2017. Annual debt service payments are to begin October 1, 2017.

In December, 2016, the City received a 24 year loan of \$6,000,000 at 1% interest from the Drinking Water State Revolving Fund to finance the construction of the final phase of the pressure zone surface water supply project. This loan contains a 50% forgivable clause at the completion of the loan. At December 31, 2016, draws of \$2,340,000 have been received by the City. \$1,170,000 of this has been recognized as revenue by the City. Annual debt service payments would commence in 2018, principal payments are deferred until October 1, 2020.

In December, 2016, the City received a 24 year loan of \$2,600,000 at 1% interest from the Drinking Water State Revolving Fund to finance the final portion of the construction of the slow sand filtration plant. As of December 31, 2016, the city has draws of \$1,170,000. The remaining draws will be taken as needed in 2017. Annual debt service payments will commence in October 1, 2020, interest payments are deferred until this time.

On March 31, 2017, the City was notified by Washington State Department of Revenue (DOR) of a \$217,000 over payment of sales tax revenue from 2012-2013 from a single taxpayer. DOR reduced the sales tax remittance in March, 2017 by the \$217,000. The City has recorded this reduction in 2016.

I. IMPACT FEE/DEVELOPMENT CHARGE CREDITS

The City, in order to ensure that adequate facilities are available to serve new growth, levies impact fees on developers as a condition of issuance of a building permit or development approval. The developer may be entitled to a "credit" against the applicable impact fee component for the proportional fair market value of appropriate dedications of land, improvement or new construction of system improvements provided by the developer. In the event that the amount of the "credit" is calculated to be greater than the amount of the impact fee due, the developer may apply the excess "credit" toward impact fees assessed on other developments within the same service area.

2016 Impact fee credits and system development charge credit activity is as follows:

Impact Fee/Development Charge Credits	Beginning Balance	Additions	Applied	Ending Balance
Traffic Impact Fees	\$ 116,005	\$ 783,756	\$ 314,194	\$ 585,567
Park Impact Fees	43,602	21,987	2,290	63,299
	<u>159,607</u>	<u>805,743</u>	<u>316,484</u>	<u>648,866</u>
Water System Development Charges	496,396	-	347,486	148,910
Sewer System Development Charges	587,548	54,032	185,843	455,737
	<u>1,083,944</u>	<u>54,032</u>	<u>533,329</u>	<u>604,647</u>
Total Impact Fee Credits	\$ <u>1,243,551</u>	\$ <u>859,775</u>	\$ <u>849,813</u>	\$ <u>1,253,513</u>

J. ACCOUNTING AND REPORTING CHANGES

The City implemented GASB 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and requires the application of fair value to certain investments, in order to promote comparability of government financial statements. The standard expands the level of disclosure for fair value methodology in the notes to the financial statements. The standard also changes the recorded value of contributed capital assets from fair value to acquisition value.

The City implemented GASB 79, *Certain External Investment Pools and Pool Participants*. This statement provides criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes, and requires pool participants to report using the same criteria. This standard adds note disclosure requirements for the City with regard to pool investments.

The City implemented GASB 82, *Pension Issues*. This statement amends GASB statements No. 67, No. 68 and No. 73 to enhance consistency in the application of financial reporting requirements related to certain pension issues. This standard made changes to how the City reported covered payroll in Required Supplementary Information.

K. RELATED PARTY TRANSACTIONS/JOINT VENTURE

Emergency Services

The City has entered into an interlocal agreement with Clark County, the City of Vancouver and other local governments in the establishment and operation of the Clark Regional Services Agency (CRESA). CRESA was created by agreement under the Inter-Local Cooperation Act (RCW 39.34). The purpose of CRESA is to equip and operate a consolidated public safety communications service. CRESA is a separate reporting entity and each participant's share of authority is defined by the terms of the enabling charter of the CRESA. Control of this joint venture is shared equitably by the controlling organizations. The City has a 4.4% interest in equity and operations of CRESA, thus CRESA is not dependent on the rates paid by the City, no ongoing financial responsibility exists.

The City paid the following in fees to CRESA during 2016 for Emergency Management purposes:

Emergency Management	\$18,149
Dispatching EMS	\$118,022
Dispatching Fire	\$85,731
Dispatching Police	\$195,223
800 MHZ Fees	\$52,044
<u>Annual Software Costs</u>	<u>\$8,955</u>
Total	\$478,124

L. PRIOR PERIOD ADJUSTMENTS

The governmental activities column of the Statement of Activities, presents a prior period adjustment in the amount of \$5,245,539. This is made up of the following:

- \$4,757,348 of this amount is a correction of accumulated depreciation for assets that were not split between two asset life classifications and to correct for the useful life of some assets.
- \$42,166 premium on loans were not expensed in 2015.
- \$52,282 is the Criminal Justice Tax revenue accrual correction.
- \$393,743 asset correction between business type activities.

The Water-SewerFund and the Storm Fund presents a prior period adjustment of \$145,459 and \$248,284, respectively, which represents a capital outlay that was erroneously reported as donated in 2015. These funds reimbursed the non-major capital fund for this asset in 2016.

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Other Postemployment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	\$ -	\$ 5,966,966	\$ 5,966,966	0.00%	\$ 7,755,426	76.94%
1/1/2009	-	7,181,555	7,181,555	0.00%	7,482,701	95.98%
1/1/2011	-	8,027,014	8,027,014	0.00%	7,161,601	112.08%
1/1/2013	-	7,459,061	7,459,061	0.00%	6,241,891	119.50%
1/1/2015		5,030,423	5,030,423	0.00%	6,485,797	77.60%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last 3 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.063116%	\$ 3,389,626	\$ 7,433,788	46%	57.03%
2015	0.063852%	3,340,053	7,155,169	47%	59.10%
2014	0.059601%	3,002,428	7,216,331	42%	61.19%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Employer Contributions
PERS 1
As of December 31
Last 3 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	\$ 366,237	\$ (366,237)	\$ -	\$ 7,503,538	4.88%
2015	330,219	(330,219)	-	7,337,494	4.50%
2014	293,264	(293,264)	-	6,969,245	4.21%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last 3 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.077627%	\$ 3,908,458	\$ 7,297,931	53.56%	85.82%
2015	0.079123%	2,827,110	7,022,586	40.26%	89.20%
2014	0.073414%	1,483,962	7,077,011	20.97%	93.29%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Employer Contributions
PERS 2/3
As of December 31
Last 3 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	\$ 458,690	\$ (458,690)	\$ -	\$ 7,366,306	6.23%
2015	406,541	(406,541)	-	7,203,243	5.64%
2014	348,075	(348,075)	-	6,838,381	5.09%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30
Last 3 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.026688%	\$	(1,859,841)	\$ (2,134,804)	N/A	N/A	123.74%
2015	0.026403%	(318,215)	(2,152,398)	(2,470,613)	N/A	N/A	127.36%
2014	0.026185%	(317,569)	(2,148,029)	(2,465,598)	N/A	N/A	126.91%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Employer Contributions
LEOFF 1
As of December 31
Last 3 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
	\$	\$	\$	\$	
2016	-	-	-	N/A	N/A
2015	-	-	-	N/A	N/A
2014	-	-	-	N/A	N/A

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

LEOFF 2
As of June 30
Last 3 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.256367%	\$ (1,491,107)	\$ (972,094)	\$ (2,463,201)	\$ 7,803,325	-19.11%	106.04%
2015	0.063852%	(2,542,787)	(1,681,297)	(4,224,084)	7,180,562	-35.41%	111.67%
2014	0.059601%	(2,800,565)	(1,829,840)	(4,630,405)	7,017,401	-39.91%	116.75%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Employer Contributions

LEOFF 2

As of December 31

Last 3 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	\$ 394,969	\$ (394,969)	\$ -	\$ 7,821,177	5.05%
2015	389,941	(389,941)	-	7,455,858	5.23%
2014	345,299	(345,299)	-	6,602,254	5.23%

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Firemen's Pension Plan
Last Two Fiscal Years

	2016	2015
Total pension liability		
Interest	\$ 12,731	\$ 12,580
Benefit payments, including refunds of contributions	(20,929)	(17,613)
Net change in total pension liability	(8,198)	(5,033)
Total pension liability - beginning	318,276	323,309
Total pension liability - ending (a)	<u>\$ 310,078</u>	<u>\$ 318,276</u>
Plan fiduciary net position		
Net investment income	28,124	36,871
Benefit payments, including refunds of contributions	(20,929)	(17,613)
Administrative expense	(2,470)	0
Other	(50,000)	0
Net change in plan fiduciary net position	(45,275)	19,258
Plan fiduciary net position - beginning	2,552,619	2,533,361
Plan fiduciary net position - ending (b)	<u>2,507,344</u>	<u>2,552,619</u>
Net pension liability ending (a) - (b)	<u>(2,197,266)</u>	<u>(2,234,343)</u>
Plan fiduciary net position as a % of total pension liability (b)/(a)	808.62%	802.01%
Covered-employee payroll	0	0
Net pension liability as a % of covered employee payroll	N/A	N/A

Notes to Schedule:

Note 1: Information Provided

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2015.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Employer Contributions
Firemen's Pension Plan
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially/statutorily/contractually determined contribution	\$ -	\$ -	\$ -	\$ 38,286	\$ 32,866	\$ 34,521	\$ 36,432	\$ 31,032	\$ 30,875	\$ 27,284
Actual contribution in relation to the above	-	-	-	38,286	32,866	34,521	36,432	31,032	30,875	27,284
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered employee payroll	0	0	0	0	0	0	0	0	0	0
Contributions as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation date: December 31, 2015
Methods and assumptions used to determine contribution rates:
Actuarial cost method - entry age
Amortization method - N/A
Remaining amortization period - N/A
Asset valuation method - market Value
Inflation - 2.5%
Investment rate of return - 4.0%, net of pension plan investment expense, including inflation
Mortality - RP 2000

Note 1: Information Provided

The City implemented GASB 68 for the year ended December 31, 2015. In rebuilding this table, information was only available to 2007.

CITY OF CAMAS, WASHINGTON
Required Supplementary Information
Schedule of Investment Returns
Firemen's Pension Fund
Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	1.36%	1.36%

Notes to Schedule:

Note 1: Information Provided

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2015.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

CITY OF CAMAS, WASHINGTON
Notes to Required Supplemental Information - Pension
As of December 31
Last Three Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: LEOFF 1

For LEOFF 1, there is a net pension asset; however, there are no active employees participating in the plan, and no required contributions because the plan is fully funded. Therefore, covered payroll and contributions as a percent of covered payroll are displayed as N/A.

Note 4: Covered payroll

Covered payroll has been retrospectively presented in accordance with GASB 82, *Pension Issues*. Covered payroll now includes all payroll on which a contribution is based. In prior reports, Plan 1 UAAL covered payroll was included for plans other than PERS 1.

CITY OF CAMAS
 Schedule of Expenditures of Federal Awards
 for the year ending December 31, 2016

Federal Agency Name/Pass Through Agency Name	2 Federal Program Name	3 Federal CFDA Number	4 Other I.D. Number	5 Expenditures			6 Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
Department of Housing and Urban Development Office of Community Planning and Development/ Clark County, Department of Community Services	Community Development Block Grants/Entitlement Grants	14.218	2015-CDBG-1502	225,000		225,000	1.2.3
Department of Housing and Urban Development Office of Community Planning and Development/ Clark County, Department of Community Services	Community Development Block Grants/Entitlement Grants	14.218	2016-CDBG-1602	175,482		175,482	1.2.3
Department of Transportation-Federal Highway Administration/Pass-through WA State Department of Transportation	Highway Planning and Construction	20.205	STPUL-7027(003)	197,502		197,502	1.2.3
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM12-952-089	154,239		154,239	1.2.3.4
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM12-952-089	730,817		730,817	1.2.3.4
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-011	2,340,000		2,340,000	1.2.3.4
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-011	1,170,000		1,170,000	1.2.3.4
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-002	34,000		34,000	1.2.3.4
Department of Homeland Security	Disaster Grants - Public Assistance	97.036	011-09480-00	144,270		144,270	1.2.3
Department of Transportation-Federal Highway Administration/Pass-through WA State Department of Transportation	Highway Planning and Construction	20.205	ER-1602(020)	100,922		100,922	1.2.3
Total Federal Awards Expended				\$ 5,272,231	\$ -	\$ 5,272,231	

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards
(and State/Local Financial Awards)**

Note 1 - Basis of Accounting

The Schedule of Financial Assistance is prepared on the same basis as the city's financial statements. The city uses the modified accrual basis of accounting for the governmental fund types and agency funds. Full accrual basis of accounting is used for the proprietary funds and pension trust fund.

Note 2 - Program Costs

The amounts shown as current year expenditures represent only the federal or state grant portion of the program costs. Entire program costs, including the city's portion, may be more than shown.

Note 3 - Indirect Cost Rate

The City of Camas has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loans

The city was approved by the EPA and the PWB to receive three loans totaling \$13,954,792.00 to improve its drinking water system. The amounts listed for these loans include the proceeds used during the year.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Camas

Clark County

January 1, 2016 through December 31, 2016

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The information in this schedule is the representation of the City of Camas.

Finding ref number: 2016-001	Finding caption: The City's internal controls were not adequate when valuing contributed assets.
Name, address, and telephone of auditee contact person: Cathy Huber Nickerson, Finance Director City of Camas 616 N.E. 4 th Avenue Camas, WA 98607	
Corrective action the auditee plans to take in response to the finding: <i>The City will develop a new process for the valuation of contributed assets through a lean process. The process will be documented and shared with staff. The new process will be implemented with the 2017 assets to be recorded. Management will review and ensure the valuation is appropriate and fully supported.</i>	
Anticipated date to complete the corrective action: December 2017	

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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