



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

**Financial Statements and Federal Single Audit  
Report**

**City of Ridgefield**

**Clark County**

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

**Published June 22, 2017**

**Report No. 1019353**





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

June 22, 2017

Mayor and City Council  
City of Ridgefield  
Ridgefield, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Ridgefield's 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

## TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Schedule Of Federal Award Findings And Questioned Costs.....	6
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 .....	12
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance .....	14
Independent Auditor’s Report On Financial Statements .....	18
Financial Section.....	21
Corrective Action Plan For Findings Reported Under Uniform Guidance .....	84
About The State Auditor’s Office .....	85

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Ridgefield  
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 Ridgefield 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 no 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 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 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**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2016-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Ridgefield Clark County January 1, 2016 through December 31, 2016

#### **2016-001    The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.**

<b>CFDA Number and Title:</b>	66.468 – Capitalization Grants for Drinking Water Revolving Funds
<b>Federal Grantor Name:</b>	Environmental Protection Agency, Office of Water
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Washington State Department of Commerce
<b>Pass-through Award/Contract Number:</b>	DM13-952-173 and DM13-952-193
<b>Questioned Cost Amount:</b>	\$0

#### ***Description of Condition***

During 2016, the City spent \$696,436 in federal loan funds. The loan was awarded for use on the City's Junction Well and Reservoir project.

Federal regulations prohibit loan recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The City is required to verify that all contractors receiving \$25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. The City can obtain a written certification from the contractor or insert a clause into the contract where the contractor states it is not suspended or debarred. Alternatively, the City may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.

The City did not obtain a written certification, insert a clause into the contract or review EPLS to verify that one contractor that was paid more than \$25,000 was not suspended or debarred before entering into the contract. The City subsequently identified the verification had not been completed, reviewed EPLS, and found the contractor was not suspended or debarred.

We consider this deficiency in internal controls to be a material weakness. This issue was not reported as a finding in the prior audit.

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

The City was aware of the requirement to verify the suspension and debarment status of its contractors. However, the City does not frequently receive federal awards and had not established a formalized process to ensure the contractor's status is verified before entering into the contract.

### ***Effect of Condition and Questioned Costs***

The District paid one contractor in fiscal year 2016 and did not verify that the contractor was not suspended or debarred until three months after the contract was awarded. Any payments to an ineligible party are unallowable and would be subject to recovery by the funding agency.

As the City verified the status of the contractor prior to requesting reimbursement of federal funds and found the contractor was not suspended or debarred, we are not questioning costs for the payments.

### ***Recommendation***

We recommend the City establish and follow internal controls to ensure compliance with suspension and debarment requirements.

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

*The City of Ridgefield understands the auditor's position regarding the requirement to verify all contractors prior to contract execution, who receive \$25,000 or more in federal funds, are not suspended or debarred or otherwise excluded.*

*At the time of the bid submittal the City completed the responsibility check for all State requirements. The contractor met all State requirements to be the lowest responsible bidder for the project to construct a new reservoir, well and transmission system at the I-5 junction. Prior to submittal of a request for the drawdown from the State/Federal loan proceeds for the project, the City completed the review of the Excluded Parties List System (EPLS) for the contractor. The City found the contractor was not suspended or debarred or otherwise excluded from receiving federal funds. The City's internal process was updated at this time to include additional staff training involved in the responsibility check to review the EPLS system prior to contract execution, for any projects that would be funded in the future from federal sources. At no time was the City in position to allow a suspended or debarred contractor to receive*

*federal funding as the City had verified eligibility prior to submitting a request for the loan draw.*

*The City has added language to all of their contract templates to include language certifying that the vendor /contractor is not suspended or debarred or otherwise excluded from projects using federal funding. In addition, the City has added steps into their responsibility checklist, addressing the Excluded Parties List System review process. The City also added steps to their contracting checklist to verify if federal funding is being used on the project. I am confident that the internal control process we have established for any projects utilizing federal funding sources will ensure compliance with suspension and debarment requirements.*

### ***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 for the City for its cooperation and assistance during the audit.

### ***Applicable Laws and Regulations***

Title 2 Code of Federal Regulation Section 200.303 Internal controls, states in part:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:



.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

**Material weakness in internal control over compliance.**

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable 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.

**Significant deficiency in internal control over compliance.** 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.

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 2 Code of Federal Regulation Section 200.516 Audit Reporting, states in part:

(a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's

determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

(2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Title 2, Code of Federal Regulations, Section 180.220 - Are any procurement contracts included as covered transactions?

(a) Covered transactions under this part:

(1) Do not include any procurement contracts awarded directly by a Federal agency; but

(2) Do include some procurement contracts awarded by non-Federal participants in non-procurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a non-procurement transaction that is covered under Section 180.210, and the amount of the contract is expected to equal or exceed \$25,000.

(2) The contract requires the consent of an official of a Federal agency. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a non-procurement transaction, as shown in the appendix to this part.

Title 2, Code of Federal Regulations, Section 180.200 - What is a covered transaction?

A covered transaction is a non-procurement or procurement transaction that is subject to the prohibitions of this part. It may be a transaction at -

- (a) The primary tier, between a Federal agency and a person (see appendix to this part); or
- (b) A lower tier, between a participant in a covered transaction and another person.

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

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

Mayor and City Council  
City of Ridgefield  
Ridgefield, 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 Ridgefield, 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 June 15, 2017.

**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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy

State Auditor

Olympia, WA

June 15, 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 Ridgefield  
Clark County  
January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Ridgefield  
Ridgefield, Washington

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

We have audited the compliance of the City of Ridgefield, 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.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

### **City's Response to Findings**

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2016-001 to be a material weakness.

### **City's Response to Findings**

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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

June 15, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Mayor and City Council  
City of Ridgefield  
Ridgefield, 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 Ridgefield, 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 Ridgefield, 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, Real Estate Excise and Park Impact Fee funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

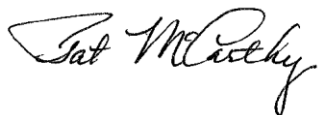
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 30 and pension plan information on pages 78 through 80 be presented to supplement the basic financial statements. Such information, although not a part of 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 June 15, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

June 15, 2017

## **FINANCIAL SECTION**

**City of Ridgefield  
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 Balance Budget (GAAP  
Basis) and Actual – General Fund – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP  
Basis) and Actual – Real Estate Excise Fund – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP  
Basis) and Actual – Park Impact Fee 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

Notes to Financial Statements – 2016

### **REQUIRED SUPPLEMENTARY INFORMATION**

Pension Plan Information – 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2016

Notes to the Schedule of Expenditures of Federal Awards – 2016

**CITY OF RIDGEFIELD**  
***Management's Discussion and Analysis***  
***Year Ended December 31, 2016***

The City of Ridgefield's 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 the financial statements and notes to the financial statements that follow. The City of Ridgefield is reporting on a government-wide basis as required by the GASB 34 reporting standards.

**FINANCIAL HIGHLIGHTS**

- City of Ridgefield assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$64.8 million, a \$6.8 million increase from 2015.
- Net Investment in Capital Assets account for about 84 percent of net position, with a value of \$54.5 million.
- Of the remaining 16.0 percent of net position that totals \$10.3 million, approximately \$12.1 million can be used to fund capital projects or to pay obligations to creditors. The unrestricted net position is a deficit of \$1.8 million.
- The government's total net position showed an overall increase of \$6.8 million which results from increased capital contributions and tax revenues.
- The City's governmental funds reported combined ending fund balances of \$8,792,308, with \$6,043,970 restricted for capital related purposes, \$1,221,367 restricted for building permit related activities, \$455,952 assigned by the City to be used for specific purposes, \$15,800 committed for debt service and \$1,043,207 allocated to unassigned fund balance and not assigned for any specific purpose.
- Debt associated with bonds, notes and loans payable increased by \$1.1 million, and the liability associated with developer impact and system development charge credits decreased by approximately \$504,000, ending the year at \$3.5 million. The liability outstanding at December 31, 2016 is associated with traffic and park impact fee credits.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis provides an introduction and overview to the City of Ridgefield's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other supplementary information in addition to the basic financial statements. This financial discussion and analysis should assist the reader in understanding the City's financial condition.

**Basic financial statements**

The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and, 3) notes to the financial statements. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

**Government-wide financial statements**

Government-wide financial statements provide readers with a broad overview of the City of Ridgefield's finances in a manner similar to a private-sector business, distinguishing functions of the City of Ridgefield 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 Ridgefield include a full range of local government services provided to the public, such as law enforcement and public safety; road 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, tax collection, and the issuance of permits and licenses. The business-type activities of the City of Ridgefield include water, sewer treatment and storm water drainage utility management and operation.

**The statement of net position** presents information on all of the City of Ridgefield's assets, deferred outflows, liabilities and deferred inflows, with the difference between them 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. Other indicators include the condition of the City's infrastructure

**CITY OF RIDGEFIELD**  
***Management's Discussion and Analysis***  
***Year Ended December 31, 2016***

systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

**The statement of activities** presents information showing how the government's net position changed during 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 be 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 will be included in the statement of activities as revenue and expense, even though the cash associated with these items was not 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 Ridgefield, 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 two categories: governmental funds and proprietary 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.

**Governmental funds**

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, the Real Estate Excise Tax Fund, The Park Impact Fee Fund and the Capital Projects Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

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

Because the focal point of governmental fund financial statements is narrower than that of government-wide financial statements accrual basis focus, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The City maintains budgetary controls over its operating funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by position and by prorating the costs based on time allocation to the various funds. Budgetary variances are discussed later in this section.

**Proprietary funds**

There are two types of proprietary funds – enterprise and internal service, and currently, the City uses one type of proprietary fund, which is an enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The three enterprise funds used to account for the utility operations and capital projects are water, sewer and storm water.

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2016**

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 Statement of Net Position to the business-type column on the government-wide Statement of Net Position, the total net position agrees, and therefore need no reconciliation. In comparing the total assets and total liabilities between the same two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City of Ridgefield's net position total equals \$64,811,944. The following is a condensed version of the Government-Wide Statement of Net Position:

City of Ridgefield's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,996	\$ 9,686	\$ 7,027	\$ 6,675	\$ 17,023	\$ 16,361
Capital assets (Net of depr)	36,979	33,780	20,206	16,160	57,185	49,940
Total Assets	46,975	43,466	27,233	22,835	74,208	66,301
Deferred amount related to pensions	400	229	129	83	529	312
Deferred amounts on refunding	-	-	-	9	-	9
Total deferred outflows of resources	400	229	129	92	529	321
Current and other liabilities	4,130	4,491	587	418	4,717	4,909
Long-Term liabilities	1,653	1,245	3,497	2,192	5,150	3,437
Total Liabilities	5,783	5,736	4,084	2,610	9,867	8,346
Deferred amounts related to pensions	49	211	10	67	59	278
Total deferred inflows related to pensions	49	211	10	67	59	278
Net Position:						
Net Investment in capital assets	36,979	33,779	17,489	15,820	54,468	49,599
Restricted	7,385	7,106	4,709	3,755	12,094	10,861
Unrestricted	(2,821)	(3,137)	1,070	676	(1,751)	(2,461)
Total Net Position	\$ 41,543	\$ 37,748	\$ 23,268	\$ 20,251	\$ 64,811	\$ 57,999

The largest portion of current and other assets is cash and investments which comprises \$15.6 million at the end of 2016 compared to \$13.8 million at the end of 2015. Capital assets, net of accumulated depreciation increased \$7.2 million. This was mainly caused by additions of capital assets of \$8.7 million, offset with accumulated depreciation of \$1.5 million.



**CITY OF RIDGEFIELD**  
***Management's Discussion and Analysis***  
***Year Ended December 31, 2016***

---

Business-type long-term liabilities increased \$1.3 million due to increased pension liabilities and a \$2.7 million increase in water loans, offset by redemption of \$1.6 million in general obligation bonds.

Governmental activities long-term liabilities increased by approximately \$408,000 primarily due to the increase in net pension liability.

Investment in capital assets, less any related debt used to acquire those assets that is still outstanding, represents 84% of the City's net position, totaling \$54.5 million. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. At the end of 2016, the City also had a net position of \$12.1 million or 19% of the total that was subject to external restrictions on how these funds can be spent. This increased over \$1.2 million due to an accumulation of cash restricted for capital projects and restrictions related to building permit revenue use.

The remaining balance is unrestricted net position and represents the amount that may be used to meet the City's ongoing obligations. The City is presenting deficit unrestricted net position in the governmental activities column of the 2016 statement of net position. The \$2.8 million deficit in the governmental activities is a result of recognizing over \$3.5 million in impact fee credits, \$1.4 million in net pension liabilities and \$1.2 million in restrictions of building related fees. The business-type activities column presents \$1.1 million in unrestricted net position; this is up from \$0.7 million at the end of 2015.

At December 31, 2016, the City of Ridgefield reports positive balances in all three categories of net position for business-type activities, but with pension liability and increase in impact fee credit liability, only two categories are positive for governmental activities.

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2016**

**Statement of Activities**

The City's total Net Position increased by \$6.8 million, ending at \$64,811,944. The following is a condensed version of the Statement of Activities for the City. The full statement is a tabular depiction of the relationship of revenues and expenses for the City's governmental activities and proprietary funds.

City of Ridgefield's Statement of Activities (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,095	\$ 2,443	\$ 2,439	\$ 2,537	\$ 6,534	\$ 4,980
Operating grants/contributions	59	131	-	-	59	131
Capital grants/contributions	1,743	1,042	2,620	1,511	4,363	2,553
General revenues:						
Property taxes	969	921	-	-	969	921
Sales taxes	1,436	1,134	-	-	1,436	1,134
Utility taxes	943	898	-	-	943	898
Excise taxes	905	642	-	-	905	642
Interest income	34	55	40	93	74	148
Other revenue	354	466	-	-	354	466
<b>Total Revenues</b>	<b>10,538</b>	<b>7,732</b>	<b>5,099</b>	<b>4,141</b>	<b>15,637</b>	<b>11,873</b>
<b>Expenses:</b>						
General Government	1,862	1,545			1,862	1,545
Judicial	131	119			131	119
Public Safety	1,523	1,458			1,523	1,458
Utilities	154	24			154	24
Transportation	1,374	1,338			1,374	1,338
Natural and Economic Environment	921	1,038			921	1,038
Culture and Recreation	479	423			479	423
Water			1,378	1,296	1,378	1,296
Sewer			630	959	630	959
Stormwater			391	401	391	401
<b>Total Expenses</b>	<b>6,444</b>	<b>5,945</b>	<b>2,399</b>	<b>2,656</b>	<b>8,843</b>	<b>8,601</b>
Excess (deficiency) before special items and transfers	4,094	1,787	-	2,700	6,794	3,272
Special Item	-	-	-	(3,822)	-	(3,822)
Transfers	(307)	515	307	(515)	-	-
Change in Net Position	3,787	2,302	3,007	(2,852)	6,794	(550)
Beginning Net Position	37,748	38,390	20,251	23,424	57,999	61,814
Change in acct principle	-	(838)	-	(414)	-	(1,252)
Prior Period Adjustment	8	(2,106)	10	93	18	(2,013)
<b>Ending Net Position</b>	<b>\$ 41,543</b>	<b>\$ 37,748</b>	<b>\$ 23,268</b>	<b>\$ 20,251</b>	<b>\$ 64,811</b>	<b>\$ 57,999</b>

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2016**

---

**Governmental Activity Analysis**

Charges for services are the largest sources of revenue in 2016. The largest amounts result from services provided to developers for economic development and from billing for administrative services and overhead charged to the utilities operated by the City. Economic development fees increased by almost \$1.9 million (119%), because of an increase in residential housing permits from 216 (2015) to 320 (2016), and an increase in impact fee revenue. Capital grants and contributions increased by \$0.7 million or 67% from what was recorded in 2015, to \$1.7 million. Out of capital grants and contributions, \$1.3 million pertains to private developer contributed capital with a small amount from capital grants. Capital contributions received from private developers incorporate 1) the actual cost to construct the assets received by the city and, 2) a reduction for the amount recorded during the year as the amount a developer used in impact fee credits. Contributed assets are mainly associated with transportation infrastructure, such as streets, street lights, curbs and sidewalks, and land received for parks and trails.

The main source of tax revenue comes from sales tax, and the second highest source of tax revenue comes from property taxes. Sales and use taxes total \$1,435,637, accounting for 34% of the total tax revenue. Sales tax grew substantially as the economy continued to grow in 2016 and was up 27% when compared to 2015. Construction and building sales and activities is one of the major sources for generating retail sales tax. In 2016 single family residential permits increased significantly from 2015, however the City saw limited commercial construction. Property taxes totaled \$968,957, up \$47,493 from 2015, and accounting for 23% of the total tax revenue. Utility taxes come from a charge that is added to the revenue generated by a utility customer that resides within the city limits. A 6% charge is added to customers that use natural gas, electricity, telephone, and cell phone, and an 8% charge is added to the customers that receive water, while 10% is added to customers that receive sewer services. Utility taxes increased \$44,852 when compared to 2015, mainly as a result of residential development. The City had 345 new residences in 2016. Total utility taxes account for 22% of the total tax revenue. Real Estate Excise taxes increased \$262,493 and ended the year at approximately \$899,000 accounting for 21% of the total tax revenue.

Total governmental expenses equate to \$6.4 million with 74% of this amount associated with three programs: general government, public safety, and transportation, each representing 29%, 24%, and 21% respectively of the total governmental activities expense. The governmental activities expenses increased 8% or \$0.5 million. Sixty three percent of this increase took place in the general government expense category. This increase was due to technology upgrades and an increase in the City's insurance premiums. Economic development expense decreased by 11%. The decrease in economic environment expenses occurred as a result of the city completing the 2016 growth management plan, with a majority of the expense occurring in 2015. The remainder of the expense categories were relatively stable from 2015 to 2016.

**Business-Type Activities Analysis**

Capital contributions increased 73 percent, or \$1.1 million, when compared to 2015, up from \$1.5 million. This \$2.6 million consists of \$1.3 million received in system development charge revenue, and \$1.3 million recorded in capital contributions. Capital contributions come from private developers and are recorded either when an asset is completed and accepted by the City or when a developer uses a system development charge credit. Credits are issued to developers as "payment" for assets they construct that benefit the City above and beyond their development and are assets identified in the City's capital facility plan. Once the asset is constructed and contributed to the City, the total amount of credit is determined and issued to the developer. Credits are used in place of payment of the system development charge that would've been charged when a building permit is issued. Developer contributed assets comprise water and storm water infrastructure, such as water pipelines and storm water drainage facilities.

Charges for services decreased by just under \$99,000. This decrease occurred because of a 36% decrease in the revenues of the Sewer Utility, offset by an 8% increase in the Water Utility and a 13% increase in the storm water drainage utility. The Sewer Utility revenue is no longer from rates from customers, but from contract management revenues for operating the Waste Water Treatment Plant. The

**CITY OF RIDGEFIELD**  
***Management's Discussion and Analysis***  
***Year Ended December 31, 2016***

Sewer Utility revenue is set by the budget needs and includes increases to both operating and capital reserve levels held by the City.

**Summary of Total Government Activities**

Overall, the City's financial position improved from 2015 to 2016 with net position increasing by \$6.8 million or 12%. The main reasons for the increase come from increased impact fee revenues, capital contributions and increased tax revenues, while expenses increased a nominal amount.

**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 governmental funds are categorized into three fund types, general fund, special revenue fund, and capital projects fund. Each fund type has its unique purpose. Four of these funds are classified as major funds for the purposes of this report, based on criteria set forth by the Government Accounting Standards Board. Those funds are the General Fund, used for traditional government purposes; the Real Estate Excise Tax, a special revenue fund used to record the receipt of real estate excise taxes and approved capital related expenses; Park Impact Fee Fund, used to record the receipt of park impact fees received as part of a permit issued for a new development; and the Capital Projects Fund, a fund used to record the acquisition and construction activities associated with governmental fund type assets. Other governmental funds classified as non-major funds and reported under Other Governmental Funds, are the Traffic Impact Fee Fund, also used to record the receipt of traffic impact fees received as part of a permit issued for new development; and the Street Fund, used to record the receipt and payment of funds used to pay for the maintenance of streets that reside within the city limits, and the Drug Fund used to record the receipt and payment towards activities and equipment for drug enforcement prevention and policing.

When reviewed on a separate fund basis, the General Fund's fund balance increased 12.8% as a result of 2016 operations. The General Fund beginning of the year fund balance was \$2.3 million and 2016 ended at \$2.6 million. The four largest sources of revenue came from property taxes, utility taxes, sales and use tax, and charges for services with each comprising 17%, 16%, 25% and 19%, respectively, of the total revenue. Charges for services increased by 27% when compared to 2015, due to growth in residential development in the City as well as allocated costs charged to the City's utility funds. The two largest expenditure categories continue to be general government and public safety with each representing 35% and 29%, respectively, of total expenditures. General Fund expenditures increased 10% while the revenues increased 19%.

The Real Estate Excise Tax Fund posted \$922,179 in total revenues, and transferred nearly \$886,000 out to other funds. This fund is accumulating resources for future capital projects. The Real Estate Excise Tax Fund shows a \$3.3 million fund balance at the close of 2016, a 1% increase compared to the \$3.2 million fund balance at the close of 2015.

The Park Impact Fee Fund posted \$809,000 in total revenues, and transferred over \$1.0 million out to other funds. This fund is accumulating resources for future culture and recreation capital projects. This fund shows a \$1.8 million fund balance at the close of 2016, a 12% decrease compared to the \$2.0 million fund balance at the close of 2015.

The Capital Projects Fund posted \$374,000 in total revenues, \$2.3 million in total expenses, and \$1.8 million in transfers in from other funds. Revenues from grants increased from 2015, from \$173,000 to \$374,000. This occurred as projects funded by grant revenues increased in 2016. The Capital Projects fund shows a fund balance of \$9,169.

The Net Change in Total Governmental Funds fund balance increased overall by \$235,000 with the General Fund increasing by \$297,000, the Non Major Governmental Funds increasing by over \$234,000, and the other major funds decreasing by approximately \$296,000. The General Fund grew as it received more than it spent during 2016, while the other major funds utilized resources for capital improvements.

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2016**

Total fund balance ended at almost \$8.8 million, and out of this amount, \$7.3 million is restricted for capital projects or to make major capital purchases and building inspection related activities, \$456,000 is assigned for specific purposes, such as to use for equipment repair, vehicle replacement, \$15,800 is committed for debt service and \$1 million is not restricted and can be used to fund the ongoing operations of the City.

### Business-Type Fund Analysis

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

These funds had total net position of \$23.3 million. These funds had combined operating income of \$65,000, a decrease from 2015 when operating income was recorded at \$145,000. Further, when reviewed on a separate fund basis, the operating income by fund equates to \$59,957, and \$37,733, respectively, for the Water and Storm funds. However, the Sewer fund recorded an operating loss in 2016 of \$32,985. This resulted from decreased treatment plant contract revenues, which are set by the Discovery Clean Water Alliance.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The City appropriates funds through an annual budget process. Budget amendments are made throughout the year as needed and approved by ordinance action by the city council. State law allows funds to be expended if authorized by an ordinance amending the original budget. The General Fund budget reflects an increase of more than \$335,000 or a 7% change from the 2016 original budget. The General Fund actual revenues closed the year at 110% of the final 2016 amended budget. Expenditures ended at 100% of the final 2016 amended budget. The final 2016 budget increase of \$335,000 in the General Fund was for expense related to residential development, technology upgrades and seasonal staffing.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The City of Ridgefield's investment in capital assets, including construction in progress, for its governmental and business-type activities amounts to \$57,184,780 (net of accumulated depreciation). This investment in capital assets includes land, buildings, streets, wells, water and storm sewer pipelines, storm water facilities, system improvements, machinery and equipment, park facilities, and construction in progress. The total government-wide capital assets increased in 2016 by a net of \$7.2 million. The amount is comprised mostly of infrastructure additions and donated capital assets.

Infrastructure, such as water distribution lines, roads, new parks and trails that are constructed by developers become the assets of the city once the city's engineering department approves the development as complete. Assets added pertain to City constructed and/or purchased assets that include the Abram's Park Improvements, Reiman Road Guardrail, Outdoor Recreation complex, Junction well and reservoir and Division Street storm improvements. Capital asset detail in thousands is as follows:

	Governmental Activities		Business Activities		Government Wide	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Land	\$ 6,520	\$ 5,358	\$ 374	\$ 374	\$ 6,894	\$ 5,732
Construction in Progress	778	214	4,012	1,385	4,790	1,599
Intangibles	287	208	212	219	499	427
Buildings	1,482	1,298	31	34	1,513	1,332
Equipment	751	618	287	321	1,038	939
Infrastructure	27,161	26,083	15,290	13,827	42,451	39,910
	<u>36,979</u>	<u>\$ 33,779</u>	<u>\$ 20,206</u>	<u>\$ 16,160</u>	<u>\$ 57,185</u>	<u>\$ 49,939</u>

**CITY OF RIDGEFIELD**  
***Management's Discussion and Analysis***  
***Year Ended December 31, 2016***

Additional information on the City of Ridgefield's capital assets can be found in Note 6 (Capital Assets) of the notes to the financial statement of this report.

**Long-Term Debt**

The City had total long-term debt outstanding of \$2,808,944. Out of this amount, \$92,030 pertains to general government and \$2,716,914 pertains to the business-type activities.

The City's total debt increased by over \$1.1 million from 2015 to 2016. This is a net amount and associated with paying off existing debt owed on bonds payable by \$1,555,000, offset with \$2.7 million in drinking water loans.

Additional information on the City's long-term debt can be found in Note 9 (Long-term Debt) of the notes to the financial statement in this report.

**Economic Outlook and Future Conditions**

During 2016, the City continued to experience an upward trend in the economy. Following is a summary:

- Total of 320 new residential home permits were issued in 2016, an increase of 104 permits issued compared to 2015.
- Two commercial permits were issued in 2016; up from one permit issued in 2015. The City Planning Department has received several commercial plans to review and expect to issue those permits in 2017.
- The property tax base has been increasing since 2012 as the economy continues to recover from the economic recession. The property tax base increased in 2016 for tax year 2017 to \$1,062,451,903, up from \$890,239,033 recorded in 2016 and \$799,996,361 recorded in 2015.

The City continues to ensure the ability to meet the demand for water, sewer, storm water drainage, and general government infrastructure, such as buildings, roads, parks, and trails, by identifying and completing needed capital projects, and strategizing how to best meet the demand in the future. Capital projects planned for 2017 to mitigate growth and demand for services are as follows:

- Complete final design and begin construction for the Ridgefield Outdoor Recreation Complex.
- Identify and purchase property for a proposed Ridgefield Community Library.
- Complete construction of a new well and treatment system at the I-5 junction.
- Complete construction of a new 1.0 million gallon welded steel water reservoir at the I-5 junction.
- Complete construction for a roundabout on Pioneer St at 35<sup>th</sup> Avenue.
- Complete construction for sidewalks and downtown accessibility improvements.
- Complete design for road and utility improvements for 45<sup>th</sup> and Royle roads.
- Complete a LED light replacement project for existing street lights.
- Complete a master plan for the Gee Creek Trail.
- Complete construction and improvements to Abrams Park and Bennett Kitchen.
- Complete a subarea plan for the Gee Creek Plateau.
- Complete a pavement preservation project on N. Main Avenue from Pioneer St. to Depot St.
- Complete construction of the Gee Creek trail segment from Abrams Park to Heron Dr.
- Complete design of a new trail segment along Smythe Road from Reiman to 32<sup>nd</sup> Avenue.
- Complete design and construction for an expansion to the Ridgefield police department.
- Complete construction of the cemetery booster station
- Complete a hydrogeologist study to investigate and identify additional water rights in the city.
- Implement new technology for utility billing, land use, permitting and asset management.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Ridgefield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Department, City of Ridgefield, PO Box 608, 230 Pioneer Street, Ridgefield, WA 98642.



## CITY OF RIDGFIELD, WASHINGTON

## Statement of Net Position

December 31, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,094,847	\$ 1,297,666	\$ 2,392,513
Investments	340,590	668,315	1,008,905
Receivables (Net of Allowance for Uncollectible)	700,368	223,843	924,211
Inventories	-	30,825	30,825
Investment in Joint Venture	376,871	-	376,871
<b>Restricted Assets</b>			
Cash	4,555,875	1,660,473	6,216,348
Investments	2,810,681	3,136,404	5,947,085
Receivables (Net)	8,484	9,467	17,951
Nondepreciable Capital Assets	7,505,868	4,557,640	12,063,508
Depreciable Capital Assets, net of accumulated depreciation	29,473,286	15,647,986	45,121,272
Net Pension Asset	108,328	-	108,328
<b>Total Assets</b>	<b>46,975,198</b>	<b>27,232,619</b>	<b>74,207,817</b>
<b>Deferred Outflows of Resources</b>			
Deferred amount related to pensions	400,208	129,287	529,495
<b>Total deferred outflows of resources</b>	<b>400,208</b>	<b>129,287</b>	<b>529,495</b>
<b>Liabilities:</b>			
Accounts Payable and Other Current Liabilities	504,759	456,878	961,637
Accrued Interest Payable	4,317	117,120	121,437
Unearned Revenues	3,501,886	12,746	3,514,632
Custodial Accounts	119,043	-	119,043
<b>Noncurrent Liabilities:</b>			
Contracts Payable to Related Parties	-	161,119	161,119
Net Pension Liability	1,369,212	537,750	1,906,962
Due within One Year	43,283	9,183	52,466
Due in More than One Year	240,732	2,788,947	3,029,679
<b>Total Liabilities</b>	<b>5,783,232</b>	<b>4,083,743</b>	<b>9,866,975</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	48,711	9,682	58,393
<b>Total deferred inflows of resources</b>	<b>48,711</b>	<b>9,682</b>	<b>58,393</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	36,979,154	17,488,712	54,467,866
<b>Restricted for:</b>			
Operating	1,233,379	-	1,233,379
Pension	108,328	-	108,328
Capital	6,043,970	4,709,682	10,753,652
Unrestricted	(2,821,368)	1,070,087	(1,751,281)
<b>Total Net Position</b>	<b>\$ 41,543,463</b>	<b>\$ 23,268,481</b>	<b>\$ 64,811,944</b>

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

CITY OF RIDGEFIELD, WASHINGTON							
Statement of Activities							
Year Ended December 31, 2016							
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 1,862,309	\$ 529,134	\$ 3,500	\$ -	\$ (1,329,675)	\$ -	\$ (1,329,675)
Judicial	130,881	69,683	-	-	(61,198)	-	(61,198)
Public Safety	1,520,388	2,131	20,354	12,201	(1,485,702)	-	(1,485,702)
Physical Environment	153,761	4,560	-	-	(149,201)	-	(149,201)
Transportation	1,374,460	11,898	5,001	1,101,247	(256,314)	-	(256,314)
Economic Environment	920,686	3,477,186	9,000	-	2,565,500	-	2,565,500
Culture and Recreation	479,918	-	21,150	629,461	170,693	-	170,693
Interest on Long-Term Debt	2,158	-	-	-	(2,158)	-	(2,158)
TOTAL GOVERNMENTAL ACTIVITIES	6,444,561	4,094,592	59,005	1,742,909	(548,055)	-	(548,055)
Business Type Activities:							
Water	1,378,380	1,397,965	-	1,966,785	-	1,986,370	1,986,370
Sewer	629,992	612,425	-	-	-	(17,567)	(17,567)
Storm	390,804	428,587	-	653,434	-	691,217	691,217
TOTAL BUSINESS-TYPE ACTIVITIES	2,399,176	2,438,977	-	2,620,219	-	2,660,020	2,660,020
Total Primary Government	\$ 8,843,737	\$ 6,533,569	\$ 59,005	\$ 4,363,128	\$ (548,055)	\$ 2,660,020	\$ 2,111,965
General Revenues:							
Property Taxes Levied for General Purposes					\$ 968,957	\$ -	\$ 968,957
Sales and Use Taxes					1,435,637	-	1,435,637
Business and Occupation Taxes					942,910	-	942,910
Excise and Other Taxes					905,214	-	905,214
Unrestricted Investment Earnings					34,091	40,515	74,606
Gain (Loss) on Disposal of Capital Assets					41,586	-	41,586
Grants and Contributions not Restricted to Specific Programs					313,529	-	313,529
Transfers					(307,078)	307,078	-
Total General Revenues, special items and transfers					4,334,846	347,593	4,682,439
Change in Net Position					3,786,791	3,007,613	6,794,404
Net Position - Beginning					37,748,275	20,250,591	57,998,866
Prior Period Adjustments					8,397	10,277	18,674
Net Position - Ending					\$ 41,543,463	\$ 23,268,481	\$ 64,811,944

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



## CITY OF RIDGEFIELD

Governmental Funds  
Balance Sheet  
December 31, 2016

	General Fund	Real Estate Excise Tax Fund	Park Impact Fee	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and Cash Equivalents	\$ 2,253,009	\$ 1,826,565	\$ 1,006,211	\$ 63,205	\$ 501,732	\$ 5,650,722
Investments	340,590	1,428,081	793,875	-	588,725	3,151,271
Property Taxes Receivables	20,697	-	-	-	-	20,697
Accounts Receivable (net)	202,463	-	-	18,434	6,275	227,172
Interest Receivable	1,028	4,311	2,396	-	1,777	9,512
Due from Other Governments	267,718	-	-	161,601	22,152	451,471
Total Assets	\$ 3,085,505	\$ 3,258,957	\$ 1,802,482	\$ 243,240	\$ 1,120,661	\$ 9,510,845
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts Payable	266,211	-	-	215,637	22,911	504,759
Custodial Deposits	119,043	-	-	-	-	119,043
Total Liabilities	385,254	-	-	215,637	22,911	623,802
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue	76,301	-	-	18,434	-	94,735
Total Deferred Inflows of resources:	76,301	-	-	18,434	-	94,735
<b>Fund Balances:</b>						
Committed	15,800	-	-	-	-	15,800
Restricted	1,221,367	3,258,957	1,802,482	-	994,543	7,277,349
Assigned	343,576	-	-	9,169	103,207	455,952
Unassigned	1,043,207	-	-	-	-	1,043,207
Total Fund Balances	2,623,950	3,258,957	1,802,482	9,169	1,097,750	8,792,308
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,085,505	\$ 3,258,957	\$ 1,802,482	\$ 243,240	\$ 1,120,661	

Amounts reported for governmental activities in the statement of net position are different because (See Note 2 also):

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$ 36,979,154
Investment in Joint Venture	376,871
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds—unavailable revenues	94,735
Other items related to Pension activity that are not financial resources therefore, not reported in the funds.	(909,387)
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(3,790,218)
Net position of governmental activities	\$ 41,543,463

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

## CITY OF RIDGEFIELD

## Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended December 31, 2016

	General Fund	Real Estate Excise Tax	Park Impact Fee	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 988,321	\$ -	\$ -	\$ -	\$ -	\$ 988,321
Sales and Use Taxes	1,435,637	-	-	-	-	1,435,637
Utility Taxes	890,329	-	-	-	52,581	942,910
Excise Taxes	5,794	899,391	-	-	-	905,185
Other Taxes	-	-	-	-	29	29
License and Permits	875,419	-	-	-	11,898	887,317
Intergovernmental	196,207	-	-	373,744	148,802	718,753
Charges for Services	1,095,024	-	798,492	-	193,774	2,087,290
Fines and Forfeits	68,761	-	-	-	921	69,682
Interest Earnings	(8,872)	22,788	10,563	14	9,598	34,091
Contributions/Donations	21,150	-	-	-	-	21,150
Miscellaneous	99,484	-	-	-	5,965	105,449
Total Revenues	5,667,254	922,179	809,055	373,758	423,568	8,195,814
<b>Expenditures:</b>						
Current						
General Government	1,737,032	-	-	-	-	1,737,032
Judicial	130,881	-	-	-	-	130,881
Public Safety	1,431,546	-	-	-	4,017	1,435,563
Physical Environment	15,914	-	-	135,385	-	151,299
Transportation	-	-	-	-	443,213	443,213
Economic Environment	880,661	-	-	-	-	880,661
Culture and Recreation	352,938	-	-	8,604	-	361,542
Capital Outlay	400,097	-	-	2,133,954	31,395	2,565,446
Total Expenditures	4,949,069	-	-	2,277,943	478,625	7,705,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	718,185	922,179	809,055	(1,904,185)	(55,057)	490,177
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	41,586	-	-	-	-	41,586
Transfers In	7,304	-	-	1,810,778	346,725	2,164,807
Transfers Out	(480,800)	(885,874)	(1,047,885)	-	(57,326)	(2,471,885)
Total Other Financing Sources and Uses	(431,910)	(885,874)	(1,047,885)	1,810,778	289,399	(265,492)
Net Change in Fund Balances	286,275	36,305	(238,830)	(93,407)	234,342	224,685
Fund Balance at Beginning of Year	2,327,120	3,222,652	2,041,312	102,576	863,408	8,557,068
Prior Period Adjustment	10,555	-	-	-	-	10,555
Fund Balance at End of Year	\$ 2,623,950	\$ 3,258,957	\$ 1,802,482	\$ 9,169	\$ 1,097,750	\$ 8,792,308

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

---

**CITY OF RIDGEFIELD**

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:	\$ 224,685
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.	1,413,795
The net effect of various miscellaneous transactions involving capital assets ( i.e., sales, trade-ins, and donations) to increase net position.	1,338,530
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	943,927
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	(134,146)
Changes in Net Position (governmental activities)	\$ <u>3,786,791</u>

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

**CITY OF RIDGEFIELD**

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Budget (GAAP Basis) and Actual

For the Fiscal Year Ended December 31, 2016

	Budgeted Amounts				Variance with
	Original	Final	Actual Amount	Final Budget	
<b>Revenues:</b>					
Property Taxes	\$ 965,000	\$ 965,000	\$ 988,321	\$ 23,321	
Sales and Use Taxes	1,154,185	1,154,185	1,435,637	281,452	
Utility and Other Taxes	924,727	924,728	896,123	(28,605)	
License and Permits	537,990	739,050	875,419	136,369	
Intergovernmental	180,229	188,729	196,207	7,478	
Charges for Services	851,545	986,725	1,095,024	108,299	
Fines and Forfeits	92,248	92,248	68,761	(23,487)	
Other Miscellaneous	104,111	110,211	111,762	1,551	
Total Revenues	4,810,035	5,160,876	5,667,254	506,378	
<b>Expenditures:</b>					
Current					
General Government	1,795,484	1,780,843	1,737,032	43,811	
Judicial	128,000	124,500	130,881	(6,381)	
Security/Persons and Property	1,439,148	1,439,145	1,431,546	7,599	
Physical Environment	29,990	29,990	15,914	14,076	
Economic Environment	700,755	875,755	880,661	(4,906)	
Culture and Recreation	329,505	362,574	352,938	9,636	
Capital Outlay	214,750	359,730	400,097	(40,367)	
Total Expenditures	4,637,632	4,972,537	4,949,069	23,468	
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	172,403	188,339	718,185	529,846	
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	-	-	41,586	41,586	
Transfers In	-	-	7,304	7,304	
Transfers Out	(708,900)	(642,300)	(480,800)	161,500	
Total Other Financing Sources and Uses	(708,900)	(642,300)	(431,910)	210,390	
Net Change in Fund Balance	(536,497)	(453,961)	286,275	740,236	
Fund Balances at Beginning of Year	2,299,599	2,299,599	2,327,120	27,521	
Prior year adjustments	-	-	10,555	10,555	
Fund Balances at End of Year	\$ 1,763,102	\$ 1,845,638	\$ 2,623,950	\$ 778,312	

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

**CITY OF RIDGEFIELD**  
Real Estate Excise Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Fiscal Year Ended December 31, 2016

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 480,000	\$ 480,000	\$ 899,391	\$ 419,391
Investment Interest	20,000	20,000	22,788	2,788
Total Revenues	500,000	500,000	922,179	422,179
Excess (Deficiency) of Revenues Over (Under) Expenditures	500,000	500,000	922,179	422,179
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(2,313,200)	(2,667,200)	(885,874)	1,781,326
Total Other Financing Sources and Uses	(2,313,200)	(2,667,200)	(885,874)	1,781,326
Net Change in Fund Balance	(1,813,200)	(2,167,200)	36,305	2,203,505
Fund Balances at Beginning of Year	3,204,314	3,204,314	3,222,652	18,338
	\$ 1,391,114	\$ 1,037,114	\$ 3,258,957	\$ 2,221,843

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

**CITY OF RIDGEFIELD**  
Park Impact Fee Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Fiscal Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual Amount	Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 225,300	\$ -	\$ (225,300)
Charges for Services	457,440	718,095	798,492	80,397
Investment Interest	8,500	8,500	10,563	2,063
Total Revenues	465,940	951,895	809,055	(142,840)
<b>Expenditures:</b>				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	465,940	951,895	809,055	(142,840)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,364,000)	(1,364,000)	(1,047,885)	316,115
Total Other Financing Sources and Uses	(1,364,000)	(1,364,000)	(1,047,885)	316,115
Net Change in Fund Balance	(898,060)	(412,105)	(238,830)	173,275
Fund Balances at Beginning of Year	2,056,672	2,056,672	2,041,312	(15,360)
Fund Balances at End of Year	\$ 1,158,612	\$ 1,644,567	\$ 1,802,482	\$ 157,915

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

## CITY OF RIDGEFIELD

 Proprietary Funds  
 Statement of Fund Net Position  
 December 31, 2016

	Major Fund			Total
	Water	Sewer	Stormwater	
<b>Assets:</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 784,900	\$ 207,831	\$ 304,935	\$ 1,297,666
Investments	541,942	-	126,373	668,315
Receivables (net)				
Interest	1,636	-	381	2,017
Accounts	150,562	-	71,264	221,826
Inventory	30,825	-	-	30,825
<i>Restricted Assets</i>				
Cash and Cash Equivalents	1,565,292	-	95,181	1,660,473
Investments	3,136,404	-	-	3,136,404
Interest Receivable	9,467	-	-	9,467
Total Current Assets	6,221,028	207,831	598,134	7,026,993
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	3,862,699	-	694,941	4,557,640
Depreciable Property, Plant and Equipment (Net)	9,981,450	-	5,666,536	15,647,986
Total Long-term Assets	13,844,149	-	6,361,477	20,205,626
Total Assets	20,065,177	207,831	6,959,611	27,232,619
<b>Deferred Outflows of Resources:</b>				
Amounts Related to Pensions	65,816	42,023	21,448	129,287
Total Deferred Outflows of Resources	65,816	42,023	21,448	129,287
<b>Liabilities:</b>				
<i>Current Liabilities:</i>				
Accounts Payable	384,875	46,712	25,291	456,878
Accrued Interest Payable	20,458	-	-	20,458
Accrued Employee Benefits	4,703	3,491	989	9,183
Accounts Payable from Restricted Assets	1,481	-	95,181	96,662
Unearned Revenues	12,030	-	716	12,746
Total Current Liabilities	423,547	50,203	122,177	595,927
<i>Noncurrent Liabilities:</i>				
Contracts Payable - Related Party	-	161,119	-	161,119
Accrued Employee Benefits	46,650	19,779	5,604	72,033
Bonds, Notes and Loan Payable (Net)	2,716,914	-	-	2,716,914
Net Pension Liability	273,752	174,788	89,210	537,750
Total Long-term Liabilities	3,037,316	355,686	94,814	3,487,816
Total Liabilities	3,460,863	405,889	216,991	4,083,743
<i>Deferred Inflows of Resources</i>				
Amounts related to pensions	4,929	3,147	1,606	9,682
Total Deferred Inflows of Resources	4,929	3,147	1,606	9,682
<b>Net Position:</b>				
Net Investment in Capital Assets	11,127,235	-	6,361,477	17,488,712
Restricted for Capital Projects	4,709,682	-	-	4,709,682
Unrestricted	828,284	(159,182)	400,985	1,070,087
Total Net Position	\$ 16,665,201	\$ (159,182)	\$ 6,762,462	\$ 23,268,481

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

**CITY OF RIDGEFIELD**

## Proprietary Funds

## Statement of Revenues, Expenses and Changes in Fund Net Position

For the Fiscal Year Ended December 31, 2016

	Major Fund			
	Water	Sewer	Storm Water	Total
<b>Operating Revenues</b>				
Charge for Services	\$ 1,396,354	\$ 556,650	\$ 424,344	\$ 2,377,348
Miscellaneous	1,611	-	4,193	5,804
Total Operating Revenues	<u>1,397,965</u>	<u>556,650</u>	<u>428,537</u>	<u>2,383,152</u>
<b>Operating Expenses</b>				
Salaries, Wages and Benefits	421,977	188,906	134,712	745,595
Supplies	144,728	38,022	7,736	190,486
Professional Services	268,016	263,229	99,213	630,458
Utilities	78,062	24,370	7,889	110,321
Repairs and Maintenance	114,286	68,195	19,843	202,324
Taxes	81,834	-	6,131	87,965
Miscellaneous	3,635	6,913	181	10,729
Depreciation, Amortization, Depletion	225,470	-	115,099	340,569
Total Operating Expenses	<u>1,338,008</u>	<u>589,635</u>	<u>390,804</u>	<u>2,318,447</u>
Operating Income (loss)	59,957	(32,985)	37,733	64,705
<b>Nonoperating Revenues (Expenses)</b>				
Interest Earnings	38,091	55	2,369	40,515
Interest and Fiscal Charges	(40,372)	(40,357)	-	(80,729)
Other Nonoperating Revenues	-	55,775	50	55,825
Total Nonoperating Revenues (Expenses)	<u>(2,281)</u>	<u>15,473</u>	<u>2,419</u>	<u>15,611</u>
Income (Loss) before Contributions, Transfers and Special Items	57,676	(17,512)	40,152	80,316
Capital Contributions	1,966,785	-	653,434	2,620,219
Transfers In	-	-	314,382	314,382
Transfers Out	-	(7,304)	-	(7,304)
Increase (Decrease) in Net Position	<u>2,024,461</u>	<u>(24,816)</u>	<u>1,007,968</u>	<u>3,007,613</u>
Total Net Position at Beginning of Year	14,644,099	(148,899)	5,755,391	20,250,591
Prior period adjustments	<u>(3,359)</u>	<u>14,533</u>	<u>(897)</u>	<u>10,277</u>
Total Net Position at End of Year	<u>\$ 16,665,201</u>	<u>\$ (159,182)</u>	<u>\$ 6,762,462</u>	<u>\$ 23,268,481</u>

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



## CITY OF RIDGEFIELD

## Proprietary Funds

## Statement of Cash Flows

For the Fiscal Year Ended December 31, 2016

	Major Fund			
	Water	Sewer	Storm Water	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 1,302,724	\$ 525,367	\$ 415,045	\$ 2,243,136
Payments to Suppliers	(250,286)	(230,386)	(62,007)	(542,679)
Payments to Employees	(410,934)	(163,205)	(154,020)	(728,159)
Cash Payments for Interfund Services Used and City Taxes	(305,884)	(129,165)	(69,731)	(504,780)
Cash Received From Other Operating Activities	1,611	-	4,243	5,854
Cash Used for Other Operating Activities	-	-	-	0
Net Cash Provided (Used) by Operating Activities	337,231	2,611	133,530	473,372
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from contract receivables	-	1,300,775	-	1,300,775
Interest paid on debt	-	(55,775)	-	(55,775)
Payments on non-capital debt	-	(1,245,000)	-	(1,245,000)
Transfers - In	-	-	314,382	314,382
Transfers - Out	-	(7,304)	-	(7,304)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(7,304)	314,382	307,078
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of General Obligation Debt	2,678,951	-	-	2,678,951
Receipts for Future System Improvements	1,316,075	-	-	1,316,075
Acquisition and Construction of Capital Assets	(2,560,885)	-	(382,787)	(2,943,672)
Principal Paid on Debt	(310,000)	-	-	(310,000)
Interest Paid on Capital Debt	(13,775)	-	-	(13,775)
Net Cash Provided (Used) for Capital and Related Financing Activities	1,110,366	-	(382,787)	727,579
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	5,571	55	784	6,410
Purchase of Investment Securities	(1,363,767)	-	(1)	(1,363,768)
Proceeds from Sale and Maturities of Investment Securities	513,755	-	40,850	554,605
Net Cash Provided (Used) by Investing Activities	(844,441)	55	41,633	(802,753)
Net Increase (Decrease) in Cash and Cash Equivalents	603,156	(4,638)	106,758	705,276
Cash and Cash Equivalents at Beginning of Year	1,747,036	212,469	293,358	2,252,863
Cash and Cash Equivalents at End of Year	\$ 2,350,192	\$ 207,831	\$ 400,116	\$ 2,958,139
<b>Reconciliation to Net Position:</b>				
Cash and Cash Equivalents	784,900	207,831	304,935	1,297,666
Restricted Cash and Cash Equivalents	1,565,292	-	95,181	1,660,473
Total Cash and Cash Equivalents	\$ 2,350,192	\$ 207,831	\$ 400,116	\$ 2,958,139

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

**CITY OF RIDGEFIELD**

Proprietary Funds

Statement of Cash Flows (continued)

For the Fiscal Year Ended December 31, 2016

	Major Fund			
	Water	Sewer	Storm Water	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash:</b>				
Cash Used by Operating Activities:				
Net Operating Income (Loss)	\$ 59,957	\$ (32,985)	\$ 37,733	\$ 64,705
Adjustments to Reconcile Net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation Expense	225,470	-	115,099	340,569
(Increase) Decrease in Receivables	(11,933)	-	(8,649)	(20,582)
(Increase) Decrease in Inventories	(27,965)	-	-	(27,965)
(Increase) Decrease in Prepaid Assets	-	(52,518)	-	(52,518)
Increase (Decrease) in Current Payables	80,659	(25,690)	9,074	64,043
Increase (Decrease) in Pension Activity	2,527	22,058	(21,389)	3,196
Increase (Decrease) in Accrued Employee Benefits	8,516	77,213	2,081	87,810
Increase (Decrease) in Unearned Revenues	-	-	(469)	(469)
Other Payment related to Non-Operating Activities	-	14,533	-	14,533
	<u>277,274</u>	<u>35,596</u>	<u>95,797</u>	<u>408,667</u>
Net Cash Used by Operating Activities	\$ <u>337,231</u>	\$ <u>2,611</u>	\$ <u>133,530</u>	\$ <u>473,372</u>
<b>Noncash Transactions</b>				
Change in Fair Value of Investments	28,887	-	1,689	30,576
Donated From Other Funds	-	-	136,649	136,649
Donated Capital Assets	650,710	-	518,049	1,168,759

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

---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Washington State Auditor's Office has developed and implemented the Budgeting, Accounting, and Reporting System (BARS) designed to promote uniformity among cities and counties in Washington. Following is a summary of the significant accounting policies for the City of Ridgefield:

**A. REPORTING ENTITY**

The reporting entity "City of Ridgefield" consists of the City as the primary government; there are no component units. The City of Ridgefield, Washington, was incorporated in August 1909 and operates under the laws of the State of Washington applicable to an optional municipal code city (Title 35A RCW) with a council-manager form of government with a government body consisting of seven Council members with one selected to serve as the Mayor.

**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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. 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.

Fund financial statements are separate financial statements provided for governmental funds and proprietary funds. 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 or reported in another fund.

The *real estate excise tax fund* was established to account for taxes that are restricted for capital purposes. Resources are typically transferred to other funds as they are needed.

The *park impact fee fund* was established to account for impact fees that are restricted for culture and recreation capital purposes. Resources are typically transferred to other funds as they are needed.

The *capital projects fund* was established to construct governmental fund type capital projects. Construction of street and park projects has been the predominant use. Resources are transferred from other funds and combined with other restricted, committed, or assigned resources to be used for the acquisition or construction of capital facilities or other capital assets, such as grants to reimburse this fund for the costs of construction.

---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

The government reports the following major proprietary funds:

The *water fund* accounts for the City's water utility operations. This fund comprises activity of the municipal water system that includes production, treatment, storage and distribution of domestic water. The system is comprised of five production wells, three storage reservoirs and over forty-five miles of water lines. The City's operations division provides management operations and maintenance of the City's water system to provide for the reliable delivery of safe, high quality water for all water users. This fund also incorporates the revenues received from system development charges and expenses incurred for capital project activities. System development charges are assessed on new development activities and expended to build or expand capacity that is required as a result of growth and development.

The *sewer fund* accounts for operating management activity of the sewer utility owned by the Discovery Clean Water Alliance. The sewer treatment plant and outfall was transferred to the Alliance on January 1, 2015. The City has entered into an operator agreement to continue operating the treatment plant. As such, the fund provides operating management, and maintenance of the sewer treatment system, providing safe and clean disposal of sewage. Nearly all of its revenue are from charges billed to related parties to operate the treatment plant.

The *storm water fund* accounts for the City's storm water drainage utility operations. This fund provides management operations and maintenance of the City's storm water system and ensures the storm water facilities are mowed and cleared to allow for proper drainage. The City has twenty-four storm water systems that require maintenance and are located throughout the various subdivisions that have been built over the last several years. Revenue to fund the operations comes from charges for services generated from monthly storm water maintenance fees.

Additionally, the government reports the following fund types as non-major governmental funds:

*Special revenue funds* account for revenues from specific taxes, grants, or other sources, which are restricted or committed to finance particular activities of the City.

**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 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 60 days of the end of the current fiscal period. The City considers taxes as available if they are collected within 60 days after year end. 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.

---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

Property taxes, sales tax, franchise fees, licenses 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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, storm 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 and Storm Water Funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal operating revenue of the Sewer Fund is Management Fee revenue received from operating the treatment plant owned by the Alliance. Operating expenses for these funds include the cost of managing the treatment plant and capital equipment and infrastructure purchased/constructed for the Alliance. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY**

**1. Cash, 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 cost.

**2. Receivables**

All trades are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually before December 15, and become a lien as of 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 to the appropriate district as taxes are received. Taxes receivable consists of property taxes and related interest and penalties. (See Note 5) Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

Customer accounts receivable consists of amounts owed from private developers, individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Due from other governmental units represent amounts owed under grant programs or any other intergovernmental activity.

**Receivables**

	<u>Taxes</u>	<u>Accounts</u>	<u>Interest</u>	<u>Due from Other Gov'ts</u>	<u>Total</u>
<b><u>Governmental Activities</u></b>					
General Fund	\$ 20,697	\$ 202,463	\$ 1,028	\$ 267,718	\$ 491,906
Real Estate Excise Tax	-	-	4,311	-	4,311
Park Impact Fee	-	-	2,396	-	2,396
Capital Projects	-	18,434	-	161,601	180,035
Nonmajor Governmental	-	6,275	1,777	22,152	30,204
<b>Total Governmental</b>	<b>20,697</b>	<b>227,172</b>	<b>9,512</b>	<b>451,471</b>	<b>708,852</b>
<b><u>Business Type Activities</u></b>					
Water	\$ -	150,562	11,103	\$ -	161,665
Storm Water	-	71,264	381	-	71,645
<b>Total Business Type</b>	<b>-</b>	<b>221,826</b>	<b>11,484</b>	<b>-</b>	<b>233,310</b>
<b>Total Combined Receivables</b>	<b>\$ 20,697</b>	<b>\$ 448,998</b>	<b>\$ 20,996</b>	<b>\$ 451,471</b>	<b>\$ 942,162</b>

3. Amounts due to and from other funds and governments, interfund loans and advances receivable  
 Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" (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.

4. Inventories and prepaid items

Inventories in governmental funds consist of expendable supplies held for consumption and are recorded as an expenditure when the items are purchased. Inventories in proprietary funds are valued on the First In/First Out or FIFO method, which approximates market value. Inventory consists of water meters that are mainly used for new homes built by developers.

5. Deferred inflows and outflows of resources

Governmental funds report deferred inflows of resources 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

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

earned. At the end of the current fiscal year, the various components of deferred inflow of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent Property Taxes Receivable - General Fund	\$ 17,590
Outstanding Court Receivable	58,711
Grant Revenue - Capital Project fund	18,434
Total Deferred Revenue for Governmental Funds	<u>\$ 94,735</u>

The proprietary funds and government wide statement of net position also present deferred inflows and outflows related to pensions. (See Note 7)

**6. Restricted fund balance**

These resources are set aside for specific uses and/or are restricted by law for specific purposes. In the governmental and business-type activities the restricted amounts are held for debt service, the construction and/or acquisition of capital assets associated with the infrastructure systems, and for operating purposes. The restricted assets comprise the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
<i>Restricted for:</i>		
Transportation Capital Projects	\$ 982,531	\$ -
Park Capital Projects	1,802,482	-
Capital Facility Plan Projects	3,258,957	-
Public Safety Drug Prevention	12,012	-
Building Permit Functions	1,221,367	-
Water Capital Projects	-	4,709,682
Total Restricted Amounts	<u>\$ 7,277,349</u>	<u>\$ 4,709,682</u>

**7. Capital assets**

Capital assets, includes 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 \$5,000 or more with a life expectancy or more 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. Intangible assets are defined as easements, water rights, patents, trademarks and computer software. A retroactive implementation was not required, therefore the City either reallocated existing assets to the intangibles classification, if they met the criteria, or added intangibles assets acquired during the year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized.

Property, plant, equipment, and intangible assets with a definite useful life are depreciated using the straight line method over the following estimated useful lives:



**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

<b>Asset Category</b>	<b>Years Useful Life</b>
Buildings	40
Streets	40
Lighting	40
Sidewalks	40
Trails	25
Structures	20-30
Infrastructure	20-50
Vehicles (Public Safety)	8
Vehicles (All Other)	10
Public Works Equipment	5-20
Office Equipment/Furniture	5-10
Software	5
Hardware (Servers etc.)	5

The City has acquired certain assets 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.

**8. Compensated absences**

Compensated absences are absences for which employees will be paid, such as vacation and comp-time. In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. In proprietary (and similar trust) funds, compensated absences are recorded as an expense and liability of the fund that will pay for them as they are earned.

Vacation pay is payable up to 240 hours (30 days) on the employee's anniversary date with the City and is payable upon resignation, retirement or death. Sick leave is earned at a rate of one day per month for full-time employees and is recorded when leave is taken; however, the liability for sick leave is limited because it is generally not paid out at separation. In the event of an employee's retirement from service with the City, sick leave is payable subject to limitations that range between 25% of accumulated sick leave up to 1,600 hours (or 400 hours maximum), 50% of sick leave accumulated up to 800 hours (or 400 hours maximum), and 50% of accumulated sick leave of the amount that exceeds 720 hours, depending upon the employees bargaining unit agreement and/or personnel policy.

**9. Other accrued liabilities**

This account consists of accrued wages and accrued employee benefits.

**10. 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. 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 period costs in the year of the bond issuance.

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



---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. Net pension liabilities (assets)**

For purposes of measuring the net pension liability (assets), 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 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

**12. Net position**

*Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted* is the amount restricted by external creditors, grantors, contributors, or laws and regulations imposed by other governments. The capital component is associated with impact fees, system development charges and excise taxes where the funds received are restricted for capital purposes. The operating amount is associated with the building department within the general fund and restricted for a specific operating purpose.

*Unrestricted* is the amount of all net position that does not meet the definition of "invested in capital assets" or "restricted" net position.

**13. Fund balances in the governmental fund financial statements**

On the balance sheet – governmental funds, 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 specific purposes for which the funds can be spent.

*Nonspendable* – amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, including the State and Federal government. The City has restricted amounts, shown on the Governmental Funds Balance Sheet, with the majority of it available for use to complete major capital projects identified in an appropriate City capital facilities plan.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority). Commitments may be established, modified, or rescinded through resolutions approved by the City Council.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes; and any excess of nonspendable, restricted, and committed fund balance over total fund balance in a governmental fund other than the general fund. Under the City's adopted policy, the City finance director or management staff may assign amounts for specific purposes. The City has assigned an amount, shown on the Governmental Funds Balance Sheet, and plans to use it for equipment repair and replacement, such as to replace a vehicle; and capital maintenance projects, such as to remodel a building or make a major repair of a building.

*Unassigned* – total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

The City adopted a resolution in October 2014 which sets apart fund balance reserve accounts for stabilization purposes in the General Fund. These are classified as unassigned per the City financial policies. No requirements or conditions for addition or spending these funds have been established by the City. The City's policy states that an unassigned fund balance for revenue stabilization will be designated at a minimum of 10% of prior year General Fund revenues less any one-time revenues such as grants or interfund transfers; at December 31, 2016 the balance is \$493,241. Council action is required in order for stabilization funds to be used. The policy also states that an operations and maintenance reserve will be designated at a minimum of 60 days of prior year actual operating expenses in the General and Street Fund; at December 31, 2016 the balance is \$805,700. The operations and maintenance reserve is classified as unassigned fund balance. The policy also states that a capital reserve will be set aside at 1% of the prior year net fixed assets; the balance at December 31, 2016 is \$343,576. This is classified as assigned fund balance.

Additionally, the policy requires a debt service reserve equal to the amount of the upcoming year's debt service payment. At December 31, 2016 this was \$15,800. This fund balance is identified as committed.

City Council adopted reserve policies by resolution and therefore any changes to the policies would require a new resolution to be adopted. Use of the reserves require budget enactment or a budget amendment adopted by ordinance of the Council.

The City as of December 31, 2016 has a total fund balance in the governmental funds of \$8,792,308 and is classified as follows:

<u>Classification on Balance Sheet</u>	<u>Fund Balance</u>
Assigned for equipment replacement and capital maintenance purposes	\$ 343,576
Assigned for capital projects	9,169
Assigned for streets	92,207
Unassigned (can be used for any specific purpose)	1,054,207
Committed for debt reserve	15,800
Restricted for capital purposes	6,043,970
Restricted for Building Permit Functions	1,221,367
Restricted for other purposes	12,012
Total Fund Balance - Governmental Funds	\$ <u>8,792,308</u>

**14. Implementation of New Governmental Accounting Standards Board Pronouncements**

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 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the hierarchy of generally accepted accounting principles for governmental financial reporting and establishes the framework for selecting those principles.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

The City implemented GASB 79, *Certain External Investment Pools and Pool Participants*. This statement provides criteria for an external investment pool 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 reports covered payroll in Required Supplementary Information.

**NOTE 2. 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 the 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 “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:

Compensated Absences	\$ 183,709
Interest Payable	4,317
Pollution Remediation Obligation	8,276
Due to Other Governments	92,030
Impact Fee Credits	<u>3,501,886</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at <i>net position - governmental activities</i>	<u>\$ 3,790,218</u>

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

Net Pension Asset	\$ 108,328
Deferred Outflow of Resources - Pension	400,208
Net Pension Liability	(1,369,212)
Deferred Inflow of Resources - Pension	<u>(48,711)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at <i>net position - governmental activities</i>	<u>\$ (909,387)</u>

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**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 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 difference of this amount is as follows:

Capital Outlays and Constructed Assets	\$ 2,565,446
Depreciation expense	(1,151,651)
Net adjustment 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>\$ 1,413,795</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) to increase net position” is \$1,338,530 which represents donated capital assets.

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:

Grant Revenues	\$ 18,434
Impact Fee Credit Revenue	951,167
Municipal Court revenue	(6,310)
Tax revenues - unavailable	(19,364)
Net adjustment 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>\$ 943,927</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:

Pollution Remediation Expense	\$ (666)
Interest expense	(2,158)
Pension expense adjustment	(109,529)
Compensated absences	(21,793)
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (134,146)</u>

---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****BUDGETARY INFORMATION**Scope of budget

Annual appropriated budgets are adopted for all governmental fund types and proprietary funds. The budgets constitute the legal authority for expenditures at the fund level. Annual appropriations for funds lapse at the end of the fiscal year. There is no difference between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the governmental funds only. All governmental funds are budgeted on the modified accrual basis of accounting. Proprietary funds are budgeted on the full accrual basis for management control purposes only.

Adopting the budget

The City's budget procedures are mandated by RCW 35.33A. The steps in the budget process are as follows:

1. Prior to September, the City Manager requests all department heads to submit their annual budget requests along with all applicable narratives.
2. Prior to October 1, the City Manager will review the department request with each department. The Finance Director compiles preliminary revenue estimates to determine available financing of the proposed requests.
3. By October 1, the preliminary budget proposal is complete and put into a preliminary budget document and published.
4. Prior to November 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following January 1. The operating and capital budgets include the proposed expenditures and revenue estimates.
5. The City Clerk publishes a notice of filing of the preliminary budget and schedules property tax levy and budget hearings during the months of October and November.
6. Following the public hearings and prior to December 31, the budget is legally adopted through passage of an ordinance.

Amending the budget

The City Manager or authorized designee is authorized to transfer budgeted amounts between departments and object classes 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 passage of an ordinance that is approved by the majority and after holding public hearings.

Budget amounts shown in the basic financial statements include the original budget amounts and the final authorized amounts as revised during the year for the major governmental funds. 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 4. DEPOSITS AND INVESTMENTS**

As of December 31, 2016, the City cash, cash equivalents, and investments as reported on the Statement of Net Position are as follows:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

Cash on hand	\$ 6,063,035
State Treasurer's Investment Pool	261,264
Clark County Investment Pool	2,284,562
Local Bonds	1,498,930
US Government Agencies	5,457,060
Total cash and investments	<u>\$ 15,564,851</u>

---

The City as of December 31, 2016 had investments of \$261,264 in the Washington State Local Government Investment Pool and \$2,284,562 in the Clark County Investment Pool, which are classified as cash equivalents. Additional cash & cash equivalents consist of \$6,063,035 held in interest bearing bank accounts, certificates of deposit, petty cash, and cash change drawers.

Deposits:

*Custodial credit risk (deposits).* Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The City has an adopted policy that addresses deposit custodial risk; however, the City's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the City's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

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 also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2016.

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

Clark County investment pool is not SEC-registered. Authority to manage the Pool is derived from the Revised Code of Washington (RCW) in RCW 36.29.022. The fair value of the position in the pool is the same as the value of the pool shares.

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 and not subject to interest rate risk or any market value reporting requirements. 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.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

Investments Measured at Amortized Cost

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

Investment	Maturities	City's own investments	Investment held by City as an agent for other local governments, individuals or private organizations	Total
State Investment Pool	N/A	261,264	-	261,264
Total		261,264	-	261,264

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: These are 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.

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

		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)
Investments by fair value level	Total			
Debt Securities				
Local Government Issues	\$ 1,498,930	\$ -	\$ 1,498,930	\$ -
Fannie May	1,729,871	-	1,729,871	-
Federal Farm Credit Bank	785,790	-	785,790	-
Federal Home Loan Bank	2,534,889	-	2,534,889	-
US Treasury Strips	406,510	-	406,510	-
Total Debt Securities	6,955,990	-	6,955,990	-
Clark County Investment Pool	2,284,562	2,284,562	-	-
Total Investments by Fair				
Value Level	\$ 9,240,552	\$ 2,284,562	\$ 6,955,990	\$ -



**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

Interest rate risk

City Council policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The City's intent is to purchase investments that may be held until maturity. This risk is measured using the weighted average to maturity method. Investment maturities at December 31, 2016 is as follows:

<b>Investment Type</b>	<b>Weighted Average (Months)</b>
Federal Farm Credit Bank	2.20
Local Government Issue Bonds	7.04
Fannie Mae	9.70
U.S Treasury Strips	0.50
Federal Home Loan Bank	9.28
	<u>28.72</u>

Credit risk

Credit risk is the risk that an issuer or related party will not fulfill its obligations. The City has a formal investment policy that limits its investment and diversification by investment type and issuer beyond the limits imposed by State law. As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, investments in the State Treasurer's Investment Pool, investments in the Clark County Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. The City invests in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Bank notes. The Federal Farm Credit Bank investments have the highest investment ratings available from both Standard & Poor's and Moody's Investors Service. Local Government Issue Bonds have ratings ranging from AA to A-.

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 has an adopted policy limiting the amount the City may invest in any one issuer. The investments held at year-end are listed below along with their percentage of the government's total investment:

<b>Investment Type</b>	<b>12/31/2016</b>	
	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
Federal Farm Credit Bank	\$ 785,790	11%
Local Government Issue Bonds	1,498,930	22%
Fannie Mae	1,729,871	25%
U.S Treasury Strips	406,510	6%
Federal Home Loan Bank	2,534,889	36%
	<u>\$ 6,955,990</u>	<u>100%</u>

Custodial credit risk (investments)

Custodial risk is the risk that, in the event of a failure of the counterparty, the government will not be able to recover its investments that are in the possession of an outside party. The City uses Piper Jaffrey and US Bank as the custodial agent for safekeeping of the City's investments. Piper Jaffrey and US Bank



---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

provide monthly reports on the City's securities, all of which are held in the City's name. The investments held by the City at year-end are all book-entry, registered securities.

Total cash and investments are stated at \$15,564,851. There is additional cash held in city accounts due to "float" of outstanding checks, which have not cleared the bank as of December 31, 2016. The total cash and investments held by the City per the bank account, including the uncleared checks, total \$6,462,446. The City invests all temporarily idle funds.

**NOTE 5. PROPERTY TAXES**

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

*Property Tax Calendar*

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible.

The City may levy up to \$1.60 per \$1,000 of assessed valuation for general governmental services.

The City's regular levy for 2016 was \$1.0790 per \$1,000 on an assessed valuation of \$890,239,033 for a total regular levy of \$960,587.

Special levies approved by the voters are not subject to the limitations listed above. In 2016, there were no outstanding voter approved bonds, and therefore no additional levy.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**NOTE 6. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	5,357,848	1,162,105	-	6,519,953
Intangibles	\$ 208,286	\$ -	\$ -	\$ 208,286
Construction in progress	214,430	637,015	73,816	777,629
<b>Total capital assets, not being depreciated</b>	<b>5,780,564</b>	<b>1,799,120</b>	<b>73,816</b>	<b>7,505,868</b>
Capital assets, being depreciated/depleted:				
Buildings and improvements	1,760,901	229,461	42,891	1,947,471
Equipment	1,168,404	265,374	161,120	1,272,658
Intangibles	13,473	82,556	13,473	82,556
Infrastructure	41,890,749	2,048,545	-	43,939,294
<b>Total capital assets being depreciated</b>	<b>44,833,527</b>	<b>2,625,936</b>	<b>217,484</b>	<b>47,241,979</b>
Less accumulated depreciation for:				
Buildings and improvements	463,129	45,358	42,891	465,596
Equipment	550,095	132,610	161,120	521,585
Intangibles	13,473	3,346	13,473	3,346
Infrastructure	15,807,829	970,337	-	16,778,166
Total accumulated depreciation	16,834,526	1,151,651	217,484	17,768,693
<b>Total capital assets, being depreciated</b>	<b>27,999,001</b>	<b>1,474,285</b>	<b>-</b>	<b>29,473,286</b>
<b>Governmental activities capital assets, \$</b>	<b>\$ 33,779,565</b>	<b>\$ 3,273,405</b>	<b>\$ 73,816</b>	<b>\$ 36,979,154</b>

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

<b>Business type Assets</b>	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 373,887	\$ -	\$ -	\$ 373,887
Intangibles - Easements	171,796	18	-	171,814
Construction in progress	1,385,246	2,930,672	303,979	4,011,939
Total capital assets, not being depreciated	1,930,929	2,930,690	303,979	4,557,640
Capital assets, being depreciated/depleted:				
Buildings and improvements	117,619	-	-	117,619
Equipment	1,167,733	21,411	433,261	755,883
Intangibles	64,319	-	18,879	45,440
Infrastructure	16,521,407	1,738,232	-	18,259,639
Total capital assets being depreciated	17,871,078	1,759,643	452,140	19,178,581
Less accumulated depreciation for:				
Buildings and improvements	83,388	3,114	-	86,502
Equipment	847,189	54,882	433,261	468,810
Intangibles	17,033	7,605	18,860	5,778
Infrastructure	2,694,537	274,968	-	2,969,505
Total accumulated depreciation	3,642,147	340,569	452,121	3,530,595
Total capital assets, being depreciated, net	14,228,931	1,419,074	19	15,647,986
<b>Business type capital assets, net</b>	<b>\$ 16,159,860</b>	<b>\$ 4,349,764</b>	<b>\$ 303,998</b>	<b>\$ 20,205,626</b>

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

General Government	48,239
Security of persons and property	73,381
Transportation, including depreciation of general infrastructure	918,606
Physical environment	2,462
Economic environment	7,293
Culture and recreation	101,670
Total depreciation expense—governmental activities	<u>1,151,651</u>

**Business-type activities:**

Water	225,470
Storm	115,099
Total depreciation expense—business-type activities	<u>340,569</u>

**Commitments**

The City had four construction projects that were substantially complete as of December 31, 2016, however retainage remained outstanding. The City also had two ongoing projects that will be completed in 2017 that had retainage outstanding. This retainage amounted to \$165,064 and is associated with contracts for the Waste Water Treatment Plant Alkalinity System project, the Alley Utility Improvement project, the Junction Well and 1.0 MG Reservoir project, the Division St Storm Improvement project, the Sargent St. Storm Improvement project, and the Reiman Road Guardrail project. The City has two

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

additional construction projects that will be completed in 2017 for the Mill Street Sidewalk project and N. Main Ave Service Replacements. The City had seven professional service agreements outstanding that will be completed in 2017-2018. These agreements were associated with the Junction Well & 1.0 MG Reservoir project. The City also has an agreement to complete master planning and begin design for the Ridgefield Outdoor Recreation Complex. The City's additional professional service agreements are for design of a new Cemetery Booster Station, design of a new roundabout at 35th and Pioneer, design of road improvements on 45th and Royle Road, design for a new trail segment from Abrams Park to Heron Drive, and a trail segment along Smythe Road.

Project	Commitment	Retainage Held and Not Yet Paid	Remaining Commitment
WWTP Alkalinity Project	\$ 285,137	\$ 12,902	\$ -
Alley Utility Improvements	275,854	13,367	-
Junction Well & 1.0 MG Reservoir Project	2,501,663	115,781	107,318
Junction Well & Reservoir Construction Mgmt	386,976	-	5,857
Outdoor Recreation Complex - Master Plan and Design - Ph II	90,574	-	51,984
Division Street Storm Improvements	380,674	13,456	77,925
Sargent St Storm Improvements	103,261	4,566	-
Cemetery Booster Station Design	51,770	-	11,332
Mill Street Sidewalk Improvements	11,766	-	5,389
N Main Ave Service Connections	114,208	-	2,014
35th & Pioneer Roundabout Design	320,144	-	81,436
Reiman Road Guardrail Project	124,483	4,992	-
45th & Royle Road Improvement Design	47,000	-	27,623
Gee Creek Trail Abrams to Heron Design	92,415	-	28,758
Smythe Road Trail Improvements Design	68,716	-	42,982
	<u>\$ 4,854,641</u>	<u>\$ 165,064</u>	<u>\$ 442,618</u>

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**NOTE 7. 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:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ 1,906,962
Pension assets	\$ (108,328)
Deferred outflows of resources	\$ 529,495
Deferred inflows of resources	\$ 58,393
Pension expense/expenditures	\$ 376,236

**State Sponsored Pension Plans**

Substantially all city's 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](http://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.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>

\* For employees participating in JBM, the contribution rate was 12.26%.

**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:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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

\* For employees participating in JBM, the contribution rate was 15.30%.

The city's actual PERS plan contributions were \$93,017 to PERS Plan 1 and \$121,486 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 and LEOFF Plan 2. The city participates in LEOFF Plan 2.

**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:

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

The city's actual contributions to the plan were \$30,431 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 \$18,576.



---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

**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.



**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**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%
	<b>100%</b>	

**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	1,045,331	866,848	713,252
PERS 2/3	1,915,037	1,040,114	(541,439)
LEOFF 2	303,783	(108,328)	(418,941)

**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 \$1,906,962 and total pension asset of \$108,329 for its proportionate share of the collective net pension assets and liabilities as follows:

Plan	Liability or (Asset)
PERS 1	866,848
PERS 2/3	1,040,114
LEOFF 2	(108,328)

The amount of the asset reported above for LEOFF Plan 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:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

	<b>LEOFF 2 Asset</b>
LEOFF 2 - employer's proportionate share	(108,328)
LEOFF 2 - State's proportionate share of the net pension asset associated with the employer	(70,622)
<b>TOTAL</b>	<b>(178,950)</b>

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

	<b>Proportionate Share 6/30/15</b>	<b>Proportionate Share 6/30/16</b>	<b>Change in Proportion</b>
PERS 1	0.01437%	0.01614%	0.00177%
PERS 2/3	0.01856%	0.02066%	0.00210%
LEOFF 2	0.01611%	0.01863%	0.00252%

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*.

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:

	<b>Pension Expense</b>
PERS 1	147,468
PERS 2/3	197,387
LEOFF 2	31,381
<b>TOTAL</b>	<b>376,236</b>

**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:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	21,826	-
Contributions subsequent to the measurement date	48,623	-
<b>TOTAL</b>	<b>\$ 70,449</b>	<b>\$ -</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 55,385	\$ 34,336
Net difference between projected and actual investment earnings on pension plan investments	127,280	-
Changes of assumptions	10,750	-
Changes in proportion and differences between contributions and proportionate share of contributions	131,111	-
Contributions subsequent to the measurement date	63,505	
<b>TOTAL</b>	<b>\$ 388,032</b>	<b>\$ 34,336</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,844	\$ -
Net difference between projected and actual investment earnings on pension plan investments	38,927	-
Changes of assumptions	408	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	24,057
Contributions subsequent to the measurement date	16,835	-
<b>TOTAL</b>	<b>\$ 71,014</b>	<b>\$ 24,057</b>

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:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 2
2017	(5,374)	48,453	(5,609)
2018	(5,374)	48,453	(5,609)
2019	20,045	128,826	27,084
2020	12,529	64,459	17,064
2021	-	-	(2,808)
Thereafter	-	-	-

**NOTE 8. RISK MANAGEMENT**

The City is exposed to various risks of loss such as natural disasters, property damage, liability, employee dishonesty, errors and omissions, and personal injury. The City of Ridgefield 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.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

For the last three years the no settlements exceed insurance coverage.

**NOTE 9. LONG-TERM DEBT**

*LONG-TERM DEBT*

Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. At December 31, 2015 the City had \$1,555,000 in general obligation bonds outstanding which were fully defeased by December 31, 2016. No new bonds were issued in 2016. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Governmental Loans and Notes

The City receives loans to finance capital projects in the business-type activity funds. Loans are also often acquired in the general government funds to finance street improvements and to purchase capital assets. The governmental activity loan outstanding at December 31, 2016 is for the purchase of police radios, which were not capitalized. Government loans and notes outstanding at year-end are as follows:

Name of Issuance	Original Issue Amounts	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
<i>Governmental Activities</i>						
CRESA	\$ 92,030	Police Radios	5/18/2015	3/1/2021	2.38%	92,030
<i>Total Government Loans and Notes</i>						<u>\$ 92,030</u>
<i>Business-Type Activities</i>						
DWSRF -DM13-952-173	\$ 1,659,763	Junction Well	7/1/2014	10/1/2040	1.50%	1,046,608
DWSRF DM13-952-193	2,174,530	Reservoir	7/24/2014	10/1/2040	1.50%	1,670,306
<i>Total Business Type Loans and Notes</i>						<u>2,716,914</u>

	<b>Governmental Activities</b>			<b>Buisness Type Activities</b>		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2017	\$ 15,727	\$ 4,497	\$ 20,224	\$ -	\$ 39,382	\$ 39,382
2018	18,408	1,816	20,224	135,846	40,754	176,600
2019	18,846	1,378	20,224	135,846	38,716	174,562
2020	19,295	929	20,224	135,846	36,678	172,524
2021	19,754	470	20,224	135,846	34,641	170,487
2022-2026	-	-	-	679,228	142,638	821,866
2027-2031	-	-	-	679,228	91,696	770,924
2032-2036	-	-	-	679,228	40,753	719,981
2037-2040	-	-	-	135,846	2,038	137,884
	<u>\$ 92,030</u>	<u>\$ 9,090</u>	<u>\$ 101,120</u>	<u>\$ 2,716,914</u>	<u>\$ 467,296</u>	<u>\$ 3,184,210</u>

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

Annual debt service requirements to maturity for each of the business type loans are as follows:

2013 DWSRF Loan - Junction Well			
	Principal	Interest	Total Requirements
2017	\$ -	\$ 15,246	\$ 15,246
2018	52,330	15,699	68,029
2019	52,330	14,914	67,244
2020	52,330	14,129	66,459
2021	52,330	13,344	65,674
2021-2025	261,653	54,947	316,600
2026-2030	261,653	35,323	296,976
2031-2035	261,653	15,699	277,352
2036-2040	52,329	783	53,112
	<u>\$ 1,046,608</u>	<u>\$ 180,084</u>	<u>\$ 1,226,692</u>

2013 DWSRF Loan - Reservoir			
	Principal	Interest	Total Requirements
2017	\$ -	\$ 24,135	\$ 24,135
2018	83,515	25,055	108,570
2019	83,515	23,802	107,317
2020	83,515	22,549	106,064
2021	83,515	21,296	104,811
2021-2025	417,577	87,691	505,268
2026-2030	417,577	56,373	473,950
2031-2035	417,577	25,055	442,632
2036-2040	83,515	1,253	84,768
	<u>\$ 1,670,306</u>	<u>\$ 287,209</u>	<u>\$ 1,957,515</u>

**Compensated Absences**

Accumulated amounts of vacation leave are accrued as expenses when incurred in the government-wide and proprietary fund financial statements. At December 31, 2016, the recorded liability for sick and vacation time amounted to \$264,925 with \$183,709 recorded in governmental activities and \$81,216 recorded in business-type activities. See Note 8 for more discussion.

**Arbitrage**

The Tax Reform Act of 1986 requires the City to rebate the earnings on the investment of bond proceeds, in excess of their yield, to the federal government. Because positive arbitrage can be offset against negative arbitrage, the rebated amount fluctuates each year and may or may not be owing at the payment intervals. The City has no arbitrage liability at this time.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**CHANGES IN LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Government loans	\$ 92,030	\$ -	\$ -	\$ 92,030	\$ 15,727
Compensated absences	161,916	21,793	-	183,709	27,556
Net Pension Liability	983,519	385,693	-	1,369,212	-
Pollution Remediation Obligation	7,610	666	-	8,276	-
Total Governmental activity long-term liabilities	<u>\$ 1,245,075</u>	<u>\$ 408,152</u>	<u>\$ -</u>	<u>\$ 1,653,227</u>	<u>\$ 43,283</u>
<b>Business-type activities</b>					
General obligation bonds	\$ 1,555,000	\$ -	\$ 1,555,000	\$ -	\$ -
Less amortized amounts:					
For issuance premiums	12,797	-	12,797	-	-
Total bonds payable	<u>1,567,797</u>	<u>-</u>	<u>1,567,797</u>	<u>-</u>	<u>-</u>
Contracts payable to related parties	87,549	73,570	-	161,119	-
Government loans	37,963	2,678,951	-	2,716,914	-
Net Pension Liability	431,377	106,373	-	537,750	-
Compensated absences	66,976	14,240	-	81,216	9,183
Total Business-type activity long-term liabilities	<u>\$ 2,191,662</u>	<u>\$ 2,873,134</u>	<u>\$ 1,567,797</u>	<u>\$ 3,496,999</u>	<u>\$ 9,183</u>

**NOTE 10. CONTINGENCIES AND LITIGATION**Litigation

The City of Ridgefield has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City of Ridgefield's insurance policies are adequate to pay all known or pending claims, and at this time, there are no outstanding claims against the City.

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 if such disallowances occurred, it would be immaterial.

**NOTE 11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Loans between funds are classified as interfund loans receivable or payable or as advances to and from other funds and are shown in the Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Position. Within the City, one fund may borrow from another when specifically authorized by council resolution. No interfund receivables or payables existed at year end.

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:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**Transfer To:**

<b>Transfer From:</b>	General Fund	Capital Project Fund	Non Major Governmental Funds	Storm Utility	Total Transfer Out
General Fund	\$ -	\$ 134,075	\$ 346,725	\$ -	\$ 480,800
REET Fund	-	571,492	-	314,382	885,874
Park Impact Fund	-	1,047,885	-	-	1,047,885
Nonmajor Govt Funds	-	57,326	-	-	57,326
Sewer Fund	7,304	-	-	-	7,304
Total Transfer In	<u>\$ 7,304</u>	<u>\$ 1,810,778</u>	<u>\$ 346,725</u>	<u>\$ 314,382</u>	<u>\$ 2,479,189</u>

General Fund transfers into the nonmajor governmental funds were made to support the Street Fund operations. Other transfers occurred to fund capital expenditures paid for by the Real Estate Excise Tax and Park Impact Fee funds.

**NOTE 12. POLLUTION REMEDIATION OBLIGATIONS**

The remediation of the Lake River (Pacific Wood Treating or PWT) site within the City of Ridgefield, Washington is required by the United States Environmental Protection Agency (EPA) pursuant to its authority under the Resource Conservation and Recovery Act of 1976. The EPA transferred oversight of the cleanup to the State Department of Ecology under the Model Toxics Control Act, Ch 70.105D RCW. The City of Ridgefield is one of several parties named or considered a potentially responsible party. The Port of Ridgefield was named the project lead in this clean up and has performed remediation activities since 1996.

The Port has entered into and completed Agreed Order's which governed the cleanup activities required by the Washington State Department of Ecology. On November 5, 2014, Consent Decree Number 13-2-03830-1 (Consent Decree) was filed in Clark County, Washington. The Consent Decree is intended to be the final agreement between the City, the Port of Ridgefield and Ecology as to what actions it will take to complete remedial activities and groundwater monitoring at the site. The remedial activities include dredging and removing sediments in Lake River and Carty Lake, and capping the Port's Railroad Avenue property. The Port's Railroad Avenue property was capped in 2014 and is not considered in the estimated cleanup liability going forward.

The Port started the dredging work in Lake River and Carty Lake in 2014, and completed the work in 2015. There is ongoing monitoring and reporting associated with this work and these ongoing costs have been included in the December 31, 2016 estimate.

On December 8, 2014, the Port entered into Agreed Order DE 11057 (Agreed Order) with Ecology. The Agreed Order required the Port to sample properties adjacent to the Lake River Site for wood treating chemicals associated with the former PWT operations. This is considered the "Off-Property" portion of the PWT site. The Agreed Order required the Port to complete a remedial investigation and feasibility study (RI/FS) for the Off-Property Portion. Investigation work was completed in 2015. Elevated concentrations of constituents associated with wood treating chemicals were discovered. Ecology determined that remediation of properties adjacent to the Lake River Site was necessary. The Port and Ecology originally determined that 28 properties required remediation.. In 2016, twenty properties were remediated. The remainder will be remediated in 2017. Costs for this remediation work have been included in the December 31, 2016 estimate.

In 2016, Ecology determined that the full extent of Off-Property impacts had not been fully characterized. The sampling area was expanded to the east, and characterization work is ongoing. Sampling is expected to be completed in early spring 2017. Included in the December 31, 2016 estimate is a range of



---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

possible remediation costs for cleaning up additional properties in the expanded sampling areas. Variability in the estimate is associated with the fact that the full extent of the properties requiring remediation has not been determined.

Groundwater monitoring costs have very little variability. The Port is required to complete groundwater monitoring in 2016, and then again in 2018. If groundwater conditions remain the same in 2018, the Port will advocate for another round of groundwater sampling in 2023. Costs for ongoing groundwater monitoring have been included in the December 31, 2016 estimate.

A budget for cleanup costs has been prepared by the Port's environmental engineer. This estimated liability was measured at current value and prepared using the Expected Cash Flow Technique, which measures the liability as the sum of probability weighted amounts in a range of possible estimated amounts. This is an estimate only and potential for change exists resulting from price increases or reductions, technology or changes in applicable laws or regulations. The estimates and assumptions will be re-evaluated on an annual basis.

The total expected outlays are \$5,517,000. Estimated recoveries by the Port of Ridgefield are \$5,351,490 leaving the remaining remediation obligation of \$165,510 to be shared by the City and Port.

The City and Port are negotiating a cost sharing agreement to cover the remaining remediation obligation. The City is expecting to share in the costs incurred by the Port to monitor groundwater as required in the Consent Decree. Using the proportion of property once or currently owned by the City covered by the Consent Decree the City expects its responsibility to be less than five percent (5%) of the remaining remediation obligation. As a result, the City has reported \$8,276 as a long term liability related to its pollution remediation obligations. As required by GASB 49, this amount will be remeasured when new information indicates changes in estimated outlays, for example, when the cost sharing agreement is finalized.

#### Other Potential Remediation

Property not owned by the City, but east and south of the Lake River Remediation site has contamination which may have been transported by airborne dust or drippage from trucks transporting poles from the former Pacific Wood Treating site. Ecology has not determined which government agency, if any, will take the lead or be responsible for managing the investigation and cleanup of these off site areas. An obligating event has not yet occurred for this investigation and potential remediation. However, evidence indicates that the City could be named as a responsible party. It is early in the process, and as such, there is insufficient information for the City to reasonably estimate the ranges of all components of this potential liability.

### **NOTE 13. UNEARNED REVENUE – IMPACT FEE CREDITS**

#### Impact Fee Credits

The City of Ridgefield adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is charged at the issuance of a building permit. In addition, the developer may be entitled to a non-refundable “credit” against the applicable impact fee component for the fair market value of appropriate dedications of land, improvements or new construction of system improvements provided by the developer. In the event that the amount of the “credit” calculated is greater than the amount of the impact fee due, the developer is entitled to request issuance of impact fee credits for the calculated difference. These credits are recorded as a governmental activity in the Government-wide Financial Statements.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

No water system development charge credits remain outstanding at the end of the year. 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	\$ 3,985,682	\$ 290,192	\$ 815,196	\$ 3,460,678
Park Impact Fees	20,108	157,071	135,971	41,208
Total Impact Fee Credits	\$ 4,005,790	\$ 447,263	\$ 951,167	\$ 3,501,886

**NOTE 14. OPERATING LEASE RECEIVABLE**

The City currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. The following is an analysis of the City's investment in property under long-term, non-cancelable operating leases as of December 31, 2016:

	Governmental Activities
Land	\$412,854
Buildings	873,454
Less accumulated depreciation	(148,223)
	<u>\$1,138,085</u>

The following is a schedule of minimum future lease receipts on non-cancelable operating leases based on contract amounts and terms as of December 31, 2016.

December 31	Amount
2017	\$65,850
2018	70,650
Total	<u>\$136,500</u>

**NOTE 15. RELATED PARTY AND JOINT VENTURES**

Emergency Services- CRESA

Clark Regional Emergency Services Agency (CRESA) was created under the Interlocal Cooperation Act (RCW 39.4) by agreement between the City and other governmental units and political districts. Its purpose is to provide a consolidated public safety communications service to participating cities, political districts, and Clark County. The City has a 1.4% interest in the equity and operations of CRESA. The City is reporting its investment in the joint venture at the 2015 net position value. CRESA had an increase in net position totaling \$11.5 million. The City's share of 2015 operations was a gain of \$161,715 over 2014 balances for a total equity interest of \$376,871 at the end of 2015. The financial statements for CRESA were not available to report the equity at December 31, 2016. Current liabilities are comprised of amounts owed to vendors, other governments, and accrued employee leave liabilities. The entity's long-term debt consists solely of compensated absences. The entity's long-term debt is unsecured. Clark County maintains the accounting records for CRESA. Detailed financial statements for this entity can be obtained from CRESA, 710 W. 13th Street, Vancouver, Washington 98660.

Wastewater Transmission/Treatment - Discovery Clean Water Alliance (Alliance)

On September 27, 2012, Clark County, Clark Regional Wastewater District and the Cities of Battle Ground and Ridgefield (City) created a new regional utility entity, the Alliance, under the empowerment of RCW 39.106 – the Joint Municipal Utility Services Act (JMUSA). The Alliance is governed by a four

---

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

---

member board, one elected official from each entity, and was established to provide wastewater transmission/treatment services to the citizenry of the respective participating members.

The City Sewer Utility assets were transferred to the Alliance on January 1, 2015. The City and the Alliance signed an operator agreement where the City continues to operate the Waste Water Treatment Plant. Under the agreement, the City retained funds for operating and maintenance cash reserves. These funds belong to the Alliance and as such create a contract payable. At December 31, 2016, the contract payable related to cash reserves held on behalf of the Alliance is \$161,119.

Additionally, during the transfer, the Alliance assumed responsibility for the general obligation debt that could not be legally transferred. As a result, the City retained the long-term liability, but recognized a contract receivable for the principal amount of the bond. During 2016, the City called the remaining bonds outstanding. The City received \$1,300,775 from the Alliance for payment of the remaining \$1,245,000 Sewer Bond and related interest, effectively, eliminating the contract receivable.

During 2016, the City received \$556,650 from the Alliance for Sewer Plant Operation services.

More information about the Alliance can be found on their website at <http://discoverycwa.org/>.

#### **NOTE 16. OTHER DISCLOSURES**

##### Prior Period Adjustments/Restatements

The Statement of Activities – Governmental Activities, presents a prior period adjustment in the amount of \$8,397. This is the result of the following items:

- \$(2,158) for an error made in interest payable and interest expense in 2015.
- \$9,043 for state shared revenue accrual error
- \$1,512 for account payable reconciliations

The General Fund, Statement of Revenues, Expenditures and Changes in Fund Balances, also presents a prior period adjustment in the amount of \$10,055, which resulted from shared state revenues that should have been accrued to 2015 in the amount of \$9,043 and an accounts payable reconciliation adjustment of \$1,512.

The Statement of Activities, business activities column and proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position presents \$10,277 as prior period adjustments. This is a result of the following corrections:

- \$(3,359) for Water Accounts Payable reconciliations.
- \$(897) for Storm Accounts Payable reconciliations.
- \$14,533 for Sewer Accounts Payable reconciliation.

##### Deficit Fund Balance

The Sewer Utility Fund presents a deficit fund balance of \$159,182. This occurred because in 2015, the City transferred the Sewer capital assets to a related party under an operator agreement. The long-term employee liabilities are the responsibility of the City and are not funded on an accrual basis.

##### Subsequent Events

In 2014, the City was awarded a Drinking Water State Revolving Fund Loan in the amount of \$1,659,763 for capital improvements to the Well and Transmission systems of the Water Fund. As of December 31, 2016, \$1,046,608 is payable on this loan. The remaining balance of the loan, \$613,155, will be borrowed in 2017.

In 2014, the City was awarded a Drinking Water State Revolving Fund Loan in the amount of \$2,174,530 to finance capital improvements to the Junction Reservoir of the Water Fund. As of December 31, 2016, \$1,670,306 was shown as payable on this loan. Drawdowns of \$1,648,776 have been received in 2016. The City expects to borrow the remaining amount of \$504,224 in 2017.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

The City and Ridgefield School District No. 122 entered into an interlocal agreement regarding the Ridgefield Outdoor Recreation Complex on March 30, 2017. The agreement outlines the proposed placement of a joint outdoor recreation complex adjacent to the planned site of the 5 – 8 Schools Complex. The collaboration to build the 5 – 8 Schools Complex and the Outdoor Recreation Complex facilities on land owned by the school district (50 acres) and the City (7.5 acres), outlines financial and land lease requirements. The City will have responsibility to build and fund the outdoor recreation complex facilities which is expected to be completed by August 2018. The estimated cost of the complex is \$15 - \$20 million and will be funded through a combination of City issued bonds, grants, and existing capital reserves.

The City entered into a long term lease with a commercial tenant on City owned property in September 2012. The lease agreement included a lessee option to purchase the property during the initial lease term of five years. The City received formal notification exercising the option to purchase in August 2016. The City and the buyer closed on the sale in March 2017.

**Federal Financial Assistance**

The City recorded the following federal grant expenditures for 2016:

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2016

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Department of Justice Bureau of Justice Assistance/WSP Criminal Records Division	National Criminal History Improvement Program (NCHIP)	16.554	2015-RU-BX-K014/K11483	12,201		12,201	1,2,4
Department of Justice Bureau of Justice Assistance	Bulletproof Vest Partnership Program	16.607			1,778	1,778	1,2,4
Department of Transportation National Highway Traffic Safety Administration (NHTSA) / Washington Association of Sheriff's and Police Chiefs	State and Community Highway Safety	20.600		2,400		2,400	1,2,4
Department of Transportation National Highway Traffic Safety Administration (NHTSA) / Washington Traffic Safety Commission	National Priority Safety Programs	20.616		1,000		1,000	1,2,4
Department of Transportation National Highway Traffic Safety Administration (NHTSA) / Washington Traffic Safety Commission	State and Community Highway Safety	20.600		1,601		1,601	1,2,4
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-1503	123,384		123,384	1,2,4
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-173	270,960		270,960	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	DM13-952-193	425,476		425,476	1,2,3,4
<b>Total Federal Awards Expended:</b>				<b>837,022</b>	<b>1,778</b>	<b>838,800</b>	

**NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City of Ridgefield's financial statements. The City of Ridgefield uses the accrual basis of accounting.

**CITY OF RIDGEFIELD**  
***Notes to Financial Statements***  
***Year Ended December 31, 2016***

---

**NOTE 2 - PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Ridgefield's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - FEDERAL LOANS**

The City of Ridgefield was approved by the EPA and the PWB to receive a loan totaling \$672,170 to improve its drinking water system. \$270,960 of the amount of this loan is federal. Additionally,

The City of Ridgefield was approved by the EPA and the PWB to receive a loan totaling \$1,568,025 to improve its drinking water system. \$425,476 of the amount of this loan is federal.

Both the current and prior year loans are also reported on the City of Ridgefield's Schedule of Liabilities.

**NOTE 4 – INDIRECT COST RATE**

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

**CITY OF RIDGEFIELD**  
**Required Supplementary Information**  
**December 31, 2016**

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	0.016141%	\$ 866,848	\$ 1,868,774	46.4%	57.03%
2015	0.014371%	751,737	1,647,024	45.6%	59.10%
2014	0.013762%	693,267	1,434,478	48.3%	61.19%

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	0.020658%	\$ 1,040,114	\$ 1,868,774	55.66%	85.82%
2015	0.018560%	663,159	1,647,024	40.26%	89.20%
2014	0.015702%	317,394	1,355,562	23.41%	93.29%

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
2016	0.018625%	\$ (108,328)	\$ (70,622)	\$ (178,950)	\$ 554,005	-19.55%	1.0604%
2015	0.016106%	(165,537)	(109,453)	(274,990)	467,365	-35.42%	111.67%
2014	0.014435%	(191,559)	(125,159)	(316,718)	401,594	-47.70%	116.75%

**CITY OF RIDGEFIELD**  
**Required Supplementary Information**  
**December 31, 2016**

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	\$ 93,017	\$ (93,017)	\$ -	\$ 1,950,033	4.77%
2015	80,460	(80,460)	-	1,812,174	4.44%
2014	64,907	(64,907)	-	2,227,135	2.91%

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	\$ 121,486	\$ (121,486)	\$ -	\$ 1,950,033	6.23%
2015	103,283	(103,283)	-	1,812,174	5.70%
2014	77,946	(77,946)	-	2,205,719	3.53%

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	\$ 30,431	\$ (30,431)	\$ -	\$ 602,589	5.05%
2015	24,661	(24,661)	-	471,525	5.23%
2014	25,356	(25,356)	-	484,795	5.23%

**CITY OF RIDGEFIELD**  
***Required Supplementary Information***  
***December 31, 2016***

---

Notes to Required Supplemental Information – Pension

As of December 31  
Last Three Fiscal Years

**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 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:** Change in Contribution Rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

**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 Ridgefield**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Clark County Department of Community Services)	Community Development Block Grants/Entitlement Grants	14.218	2015-CDBG- 1503	123,384	-	123,384	-	1, 2, 4
Total CDBG - Entitlement Grants Cluster:				123,384	-	123,384	-	
Bureau Of Justice Statistics, Department Of Justice (via WSP Criminal Records Division)	National Criminal History Improvement Program (NCHIP)	16.554	2015-RU-BX- K014/K11483	12,201	-	12,201	-	1, 2, 4
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	1,778	1,778	-	1, 2, 4
Highway Safety Cluster								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Association of Sheriff's and Police Chiefs)	State and Community Highway Safety	20.600	N/A	2,400	-	2,400	-	1, 2, 4
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	1,601	-	1,601	-	1, 2, 4
Total CFDA 20.600:				4,001	-	4,001	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	1,000	-	1,000	-	1, 2, 4
Total Highway Safety Cluster:				5,001	-	5,001	-	

The accompanying notes are an integral part of this schedule.

**City of Ridgefield**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

	Expenditures						Passed through to Subrecipients	Note
	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards		
Drinking Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via Washington State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-173	270,960	-	270,960	-	1, 2, 3, 4
Office Of Water, Environmental Protection Agency (via Washington State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-193	425,476	-	425,476	-	1, 2, 3, 4
Total Drinking Water State Revolving Fund Cluster:				696,436	-	696,436	-	
Total Federal Awards Expended:				837,022	1,778	838,800	-	

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

RIDGEFIELD, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Ridgefield's financial statements. The City of Ridgefield uses the accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Ridgefield's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - FEDERAL LOANS

The City of Ridgefield was approved by the EPA and the PWB to receive a loan totaling \$672,170 to improve its drinking water system. \$270,960 of the amount of this loan is federal. Additionally,

The City of Ridgefield was approved by the EPA and the PWB to receive a loan totaling \$1,568,025 to improve its drinking water system. \$425,476 of the amount of this loan is federal.

Both the current and prior year loans are also reported on the City of Ridgefield's Schedule of Liabilities.

NOTE 4 – INDIRECT COST RATE

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

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### City of Ridgefield

### 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 Ridgefield.

<b>Finding ref number:</b> 2016-001	<b>Finding caption:</b> The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.
<b>Name, address, and telephone of auditee contact person:</b> Kirk Johnson, Finance Director 230 Pioneer Street P.O. Box 608 Ridgefield, WA 98642	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City has conducted additional training surrounding the requirements for federal suspension and debarment review.</i> <i>The City revised their contract documents to include language from the vendor/contractor certifying they are not federally suspended or debarred.</i> <i>In addition, the City revised their project checklists and mandatory responsibility checklists to include federal EPLS review when federal dollars are included.</i>	
<b>Anticipated date to complete the corrective action:</b> Additional training was completed December 2015. Contract and checklist revision was completed May 11, 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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>