



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Town of Fairfield

Spokane County

For the period January 1, 2014 through December 31, 2016

Published October 19, 2017

Report No. 1020050





Office of the Washington State Auditor
Pat McCarthy

October 19, 2017

Mayor and Town Council
Town of Fairfield
Fairfield, Washington

Report on Financial Statements

Please find attached our report on the Town of Fairfield's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Town of Fairfield
Spokane County
January 1, 2014 through December 31, 2016**

Mayor and Town Council
Town of Fairfield
Fairfield, 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 Town of Fairfield, Spokane County, Washington, as of and for the years ended December 31, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated October 4, 2017.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town's financial statements are free from material misstatement, we performed tests of the Town'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

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

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

Pat McCarthy

State Auditor

Olympia, WA

October 4, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Fairfield Spokane County January 1, 2014 through December 31, 2016

Mayor and Town Council
Town of Fairfield
Fairfield, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Fairfield, Spokane County, Washington, for the years ended December 31, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Town of Fairfield has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town of Fairfield, for the years ended December 31, 2016, 2015 and 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Fairfield, as of December 31, 2016, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

October 4, 2017

FINANCIAL SECTION

**Town of Fairfield
Spokane County
January 1, 2014 through December 31, 2016**

FINANCIAL STATEMENTS

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Town of Fairfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 Current Expense Fund	103 Street Fund	104 Criminal Justice Fund
Beginning Cash and Investments					
30810	Reserved	220,622	-	40,550	10,639
30880	Unreserved	250,014	137,952	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	185,645	137,624	31,317	16,704
320	Licenses and Permits	20	20	-	-
330	Intergovernmental Revenues	197,520	32,450	162,308	2,762
340	Charges for Goods and Services	307,119	-	-	-
350	Fines and Penalties	94	94	-	-
360	Miscellaneous Revenues	25,045	18,456	4,038	16
Total Revenues:		715,443	188,644	197,663	19,482
Expenditures					
510	General Government	95,738	95,738	-	-
520	Public Safety	50,317	23,377	-	26,940
530	Utilities	195,303	-	-	-
540	Transportation	44,556	-	44,556	-
550	Natural and Economic Environment	4,392	3,615	778	-
560	Social Services	4,025	4,025	-	-
570	Culture and Recreation	39,483	39,483	-	-
Total Expenditures:		433,816	166,239	45,334	26,940
Excess (Deficiency) Revenues over Expenditures:		281,629	22,405	152,329	(7,458)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	15,250	-	12,000	250
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	380	380	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		15,630	380	12,000	250
Other Decreases in Fund Resources					
594-595	Capital Expenditures	193,954	-	151,359	-
591-593, 599	Debt Service	47,294	-	-	-
597	Transfers-Out	15,250	15,250	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	380	380	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		256,879	15,630	151,359	-
Increase (Decrease) in Cash and Investments:		40,381	7,156	12,970	(7,208)
Ending Cash and Investments					
5081000	Reserved	229,500	0	53,521	3,432
5088000	Unreserved	281,514	145,106	-	-
Total Ending Cash and Investments		511,014	145,106	53,521	3,432

The accompanying notes are an integral part of this statement.

Town of Fairfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		107 Cemetery Maintenance Fund	401 Water Fund	404 Sewer Fund
Beginning Cash and Investments				
30810	Reserved	58,963	88	110,382
30880	Unreserved	-	67,279	44,783
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	25	115,789	191,305
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	2,049	147	339
Total Revenues:		2,074	115,936	191,644
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	2,540	86,361	106,401
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		2,540	86,361	106,401
Excess (Deficiency) Revenues over Expenditures:		(466)	29,575	85,243
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	3,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	3,000
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	24,295	18,300
591-593, 599	Debt Service	-	-	47,294
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	24,295	65,594
Increase (Decrease) in Cash and Investments:		(466)	5,280	22,649
Ending Cash and Investments				
5081000	Reserved	58,496	4,660	109,391
5088000	Unreserved	-	67,985	68,423
Total Ending Cash and Investments		58,496	72,645	177,813

Town of Fairfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Current Expense Fund	103 Street Fund	104 Criminal Justice Fund
Beginning Cash and Investments					
30810	Reserved	221,947	4,438	33,733	14,326
30880	Unreserved	234,752	142,241	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	195,466	149,156	30,527	15,783
320	Licenses and Permits	10	10	-	-
330	Intergovernmental Revenues	226,943	33,761	12,959	2,737
340	Charges for Goods and Services	310,384	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	33,193	22,704	4,050	2,120
Total Operating Revenues:		765,997	205,631	47,536	20,641
Operating Expenditures					
510	General Government	90,740	90,740	-	-
520	Public Safety	52,953	28,626	-	24,327
530	Utilities	213,913	-	-	-
540	Transportation	47,356	-	47,356	-
550	Natural and Economic Environment	6,385	6,385	-	-
560	Social Services	9,664	9,664	-	-
570	Culture and Recreation	44,907	44,907	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		465,918	180,322	47,356	24,327
Net Operating Increase (Decrease):		300,079	25,309	180	(3,686)
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	782	782	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	17,859	-	7,859	-
Total Nonoperating Revenues:		18,641	782	7,859	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	580	580	-	-
591-593	Debt Service	47,294	-	-	-
594-595	Capital Expenditures	239,050	24,238	1,222	-
597	Transfers-Out	17,859	10,000	-	-
Total Nonoperating Expenditures:		304,784	34,818	1,222	-
Net Increase (Decrease) in Cash and Investments:		13,937	(8,727)	6,817	(3,686)
Ending Cash and Investments					
5081000	Reserved	220,622	-	40,550	10,639
5088000	Unreserved	250,014	137,952	-	-
Total Ending Cash and Investments		470,636	137,952	40,550	10,639

The accompanying notes are an integral part of this statement.

Town of Fairfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		107 Cemetery Maintenance Fund	301 Railroad To McNeil Rehabilitation	401 Water Fund	404 Sewer Fund
Beginning Cash and Investments					
30810	Reserved	57,741	-	8,853	102,856
30880	Unreserved	-	-	67,027	25,484
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	34,955	142,531	-
340	Charges for Goods and Services	500	-	121,938	187,946
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,522	-	276	521
Total Operating Revenues:		4,022	34,955	264,745	188,467
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	2,800	-	99,626	111,486
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		2,800	-	99,626	111,486
Net Operating Increase (Decrease):		1,222	34,955	165,119	76,981
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	5,000	5,000
Total Nonoperating Revenues:		-	-	5,000	5,000
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	47,294
594-595	Capital Expenditures	-	27,096	178,632	7,863
597	Transfers-Out	-	7,859	-	-
Total Nonoperating Expenditures:		-	34,955	178,632	55,157
Net Increase (Decrease) in Cash and Investments:		1,222	0	(8,513)	26,824
Ending Cash and Investments					
5081000	Reserved	58,963	-	88	110,382
5088000	Unreserved	-	-	67,279	44,783
Total Ending Cash and Investments		58,963	-	67,366	155,164

The accompanying notes are an integral part of this statement.

Town of Fairfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 Current Expense Fund	103 Street Fund	104 Criminal Justice Fund
Beginning Cash and Investments					
30810	Reserved	239,125	5,056	43,309	11,647
30880	Unreserved	248,683	156,643	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	191,578	145,122	31,251	15,204
320	Licenses and Permits	16	16	-	-
330	Intergovernmental Revenues	679,037	25,934	12,686	2,735
340	Charges for Goods and Services	281,034	962	-	-
350	Fines and Penalties	103	103	-	-
360	Miscellaneous Revenues	31,328	22,271	106	4,530
Total Operating Revenues:		1,183,096	194,409	44,042	22,470
Operating Expenditures					
510	General Government	96,390	96,390	-	-
520	Public Safety	54,218	28,333	-	25,885
530	Utilities	210,543	-	-	-
540	Transportation	493,262	-	42,333	-
550	Natural and Economic Environment	1,584	1,584	-	-
560	Social Services	9,572	9,572	-	-
570	Culture and Recreation	35,805	35,805	-	-
Total Operating Expenditures:		901,373	171,683	42,333	25,885
Net Operating Increase (Decrease):		281,722	22,725	1,709	(3,415)
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	1,180	1,180	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	41,338	-	27,385	6,094
Total Nonoperating Revenues:		42,518	1,180	27,385	6,094
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	2,358	2,358	-	-
591-593	Debt Service	47,294	-	-	-
594-595	Capital Expenditures	264,358	3,088	30,810	-
597	Transfers-Out	41,338	33,479	7,859	-
Total Nonoperating Expenditures:		355,349	38,925	38,669	-
Net Increase (Decrease) in Cash and Investments:		(31,108)	(15,020)	(9,575)	2,679
Ending Cash and Investments					
5081000	Reserved	221,947	4,438	33,733	14,326
5088000	Unreserved	234,752	142,241	-	-
Total Ending Cash and Investments		456,699	146,679	33,733	14,326

The accompanying notes are an integral part of this statement.

Town of Fairfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		107 Cemetery Maintenance Fund	302 Railroad To McNeil Rehabilitation	401 Water Fund	404 Sewer Fund
Beginning Cash and Investments					
30810	Reserved	56,375	-	22,341	100,398
30880	Unreserved	-	-	68,114	23,926
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	511,902	-	125,779
340	Charges for Goods and Services	75	-	102,968	177,029
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,741	-	279	400
Total Operating Revenues:		3,816	511,902	103,248	303,208
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	2,450	-	94,500	113,593
540	Transportation	-	450,928	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Operating Expenditures:		2,450	450,928	94,500	113,593
Net Operating Increase (Decrease):		1,366	60,974	8,748	189,615
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	7,859	-	-
Total Nonoperating Revenues:		-	7,859	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	47,294
594-595	Capital Expenditures	-	68,834	23,323	138,304
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		-	68,834	23,323	185,598
Net Increase (Decrease) in Cash and Investments:		1,366	(1)	(14,575)	4,017
Ending Cash and Investments					
5081000	Reserved	57,741	-	8,853	102,856
5088000	Unreserved	-	-	67,027	25,484
Total Ending Cash and Investments		57,741	-	75,879	128,341

The accompanying notes are an integral part of this statement.

Town of Fairfield
Notes to the Financial Statements
For the year ended 12/31/16

Note 1 - Summary of Significant Accounting Policies

The Town of Fairfield was incorporated on March 3, 1905 and operates under the laws of the state of Washington applicable to a town. The Town of Fairfield is a general purpose local government and provides public safety, fire prevention, street improvement, health and social services and general administrative services. In addition, the Town of Fairfield owns and operates its own water and sewer system.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide water and sewer to the general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the Town of Fairfield also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense Fund			
Current Expense Fund	222,012.52	170,113.73	51,898.79
Community Planning & Economic Development	4,876.00	600	4,276.00
Community Center Fund	18,843.71	9,810.04	9,033.67
Fairfield Youth Fund	4,186.64	1,045.80	3,140.84
Fairfield Float		300	-300.00
Total 001 - Current Expense Fund	249,918.87	181,869.57	68,049.30
103 - Street Fund			
Pavement Overlay Project	145,831.00	148,402.35	-2,571.35
Street Fund	69,505.80	48,290.16	21,215.64
Total 103 - Street Fund	215,336.80	196,692.51	18,644.29
104 - Criminal Justice Fund	26,940.00	26,940.00	0.00
107 - Cemetery Maintenance Fund	4,190.00	2,540.35	1,649.65
401 - Water Fund			
Water Fund	130,596.00	86,361.34	44,234.66
Water Capital Fund	5,000.00	24,295.48	-19,295.48
Total 401 - Water Fund	135,596.00	110,656.82	24,939.18
404 - Sewer Fund			
Sewer Fund	132,933.00	106,401.29	26,531.71
Sewer Loan Service Fund	47,294.34	47,294.34	0.00
Sewer Capital Fund	14,500.00	18,300.00	-3,800.00
Total 404 - Sewer Fund	194,727.34	171,995.63	22,731.71

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

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

The Town of Fairfield does not have a formal capitalization policy. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 160 hours or 20 days and is payable upon separation or retirement. In special situations, with council approval, individual vacation hours may accumulate over the 160 hours but must be used within a specified timeframe or the hours are lost. Employees may accumulate compensated hours and these do not have a top threshold. They must be used before vacation hours and they are payable upon separation or retirement. Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

The Town of Fairfield is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 98 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess

property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

I. Reserved Portion of Ending Cash and Investments

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

Fund 103 Street Fund \$53,521.00 Restricted by MVF tax used only for street m/o and improvements

Fund 104 Criminal Justice Fund \$3,432.00 funds used for law enforcement contract.

Fund 108 Cemetery Improvement Fund \$58,496.00 Restricted by RCW 68.52.040 for cemetery maintenance and improvements

Fund 401 Water Fund \$4,660.00 Capital Purchases Fund

Fund 404 Sewer Fund \$109,391.00 Restricted for loan payments and Capital Purchases

Note 2 – Deposits and Investments

It is the Town of Fairfield's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds excluding the cemetery maintenance fund. The interest that is generated from the Certificate of Deposit #1185, is deposited into the cemetery maintenance fund only.

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

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

Town of Fairfield Investments	
Certificate of Deposit #1185	\$51,708.05
Certificate of Deposit #20283	30,000.00
Certificate of Deposit #227	30,000.00
Savings Account	55,637.20
	\$167,345.25

Note 3 - Property Tax

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

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

The Town of Fairfield's regular levy for the year 2016 was \$2.796922 per \$1,000 on an assessed valuation of \$32,372,408 for a total regular levy of \$90,543.1.

Note 4 – Debt Service Requirements

Debt Service

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	26,795.72	20,498.62	47,294.34
2018	27,622.69	19,671.65	47,294.34
2019	28,486.64	18,807.70	47,294.34
2020	23,804.14	17,905.10	41,709.24
2021	18,791.11	17,333.43	36,124.54
2022-2026	76,548.46	79,151.59	155,700.05
2027-2031	74,687.91	64,397.09	139,085.00
2032-2036	93,074.75	46,010.25	139,085.00
2037-2041	115,988.07	23,096.93	139,085.00
2042-2043	31,525.04	1,618.96	33,144.00
Total	517,137.24	308,491.32	825,815.85

NOTE 5 – HEALTH & WELFARE

The Town of Fairfield is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

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

coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust agreement.

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

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

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

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

Note 6 - Other Disclosures

Fund 001 – Fairfield Float has a negative \$300.00 balance due to the unexpected expenditure for materials.

Fund 102-Pavement Overlay Project has a negative balance due to not adding the change orders into the budget.

The Town of Fairfield's approved budget ordinance is based on the funds being unrolled and the Notes to Financial Statement budget is based on the funds being rolled. The negative balances in Fund 401 Water Capital Fund and 404 Sewer Capital Fund can be identified by the interfund transfer dollar amounts into these two funds.

The Town of Fairfield has yearly contracts for several services that include:

Spokane County Sheriff's Department	\$26,940.00
Southeast Spokane County Fire & EMS	23,377.48
Spokane County Animal Protection	1,176.97
Empire Disposal for recycling	175.00 each tipping

Town of Fairfield
Notes to the Financial Statements
For the year ended 12/31/2015

Note 1 - Summary of Significant Accounting Policies

The Town of Fairfield was incorporated on March 3, 1905 and operates under the laws of the state of Washington applicable to a Mayor/Council. The town is a general purpose local government and provides public safety, fire prevention, street improvement, parks and recreation, library and general administrative services. In addition, the Town of Fairfield owns and operates a water/sewer system.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund #-001

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

Special Revenue Funds 100-199

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

Capital Projects Funds 300-399

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

PROPRIETARY FUND TYPES:

Enterprise Funds 401-499

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Included in this is debt and capital reserve backed solely by user charges.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the town also recognizes expenditures paid during 20 days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense Fund			
Current Expense Fund	221,475.07	171,587.20	49,887.87
Community Advisory Board Donations	30,400.00	26,600.00	3,800.00
Community Planning & Economic Development	3,800.00	2,724.00	1,076.00
Community Center Fund	19,014.45	12,974.75	6,039.70
Fairfield Youth Fund	5,258.36	1,253.43	4,004.93
Fairfield Float	500		500
Total 001 - Current Expense Fund	280,447.88	215,139.38	65,308.50
103 - Street Fund	61,520.20	48,578.73	12,941.47
104 - Criminal Justice Fund	30,186.87	24,327.07	5,859.80
107 - Cemetery Maintenance Fund	5,320.72	2,800.00	2,520.72
301 - Railroad To McNeil Rehabilitation Project	69,903.75	34,955.05	34,948.70
401 - Water Fund			
Water Fund	109,506.20	99,626.49	9,879.71
Replacement Of Deteriorated Water Main Replacement	205,160.00	142,531.04	62,628.96
Water Capital Fund	22,500.00	36,100.56	-13,600.56
Total 401 - Water Fund	337,166.20	278,258.09	58,908.11

404 - Sewer Fund			
Sewer Fund	127,583.20	114,405.11	13,178.09
Sewer Loan Service Fund	47,294.34	47,294.34	
Sewer Capital Fund	7,000.00		7,000.00
Sewer System Improvement Project CDBG	4,943.89	4,943.89	
Total 404 - Sewer Fund	186,821.43	166,643.34	20,178.09

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

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

The town does not have a formal capitalization policy. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 160 hours and is payable upon separation or retirement. With council approval, vacation hours may accumulate over the 160 hours with a specific timeframe to diminish the overage. Compensated hours do not have limited amount of accumulated hours, must be used before vacation time and is payable upon separation or retirement. Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The town's other financing sources consist of agency revenues and capital contributions.

I. Risk Management

See Note 5

J. Reserved Portion of Ending Cash and Investments

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

Fund 103 Street Fund \$40,550.00 Restricted by MVF tax used only for street m/o and improvements
Fund 104 Criminal Justice Fund \$10,639.00 funds used for law enforcement contract.

Fund 108 Cemetery Improvement Fund \$58,963.03 Restricted by RCW 68.52.040 for cemetery maintenance and improvements
Fund 401 Water Fund \$87.72 Capital Purchases Fund
Fund 404 Sewer Fund \$110,381.91 Restricted for loan payments and Capital Purchases

Note 2- Property Tax

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

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

The town's regular levy for the year 2015 was \$2.950841 per \$1,000 on an assessed valuation of \$30,172,215 for a total regular levy of \$89,033.00.

Note 3– Deposits and Investments

It is the town's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds, with the exception of the Cemetery CD #1185. This CD receives deposits from sold gravesites. The interest earned from this CD is only deposited into the Cemetery Maintenance Fund (109).

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

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

Town of Fairfield's own investments			Total
CD	51,708.05		51,708.05
CD	30,000.00		30,000.00
CD	30,000.00		30,000.00
Savings account	55,553.79		55,553.79
Total Investments	167,261.84		167,261.84

Note 4 – Debt Service Requirements

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

The debt service requirements for loans to USDA and Department of Ecology are as follows:

	Principal	Interest	Total Due
2016	26,004.16	21,290.18	47,294.34
2017	26,795.72	20,498.62	47,294.34
2018	27,622.69	19,671.65	47,294.34
2019	28,486.64	18,807.70	47,294.34
2020	23,804.14	17,905.10	41,709.24
2012-2025	82,275.14	81,732.45	164,007.59
2026-2030	71,471.69	67,613.31	139,085.00
2031-2035	89,066.74	50,018.26	139,085.00
2036-2040	110,993.37	28,091.63	139,085.00
2040-2043	56,808.40	3,929.53	60,737.93
Total	543,328.69	329,558.43	872,887.12

Note 5 – Risk Management

The Town of Fairfield is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 102 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2015, AWC RMSA carried retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

Note 6 – Health & Welfare

The Town of Fairfield is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

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

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

Note 7 - Other Disclosures

Related party disclosures

The town had automotive repairs performed on the town truck for the amount of \$521.29. This automotive repair shop is owned by the clerk/treasurer and her husband.

Fund with negative balance

Fund 403-Water Capital Fund has a negative balance of -13,600.56 due to a water emergency and repairs.

Interlocal Agreements

The town has interlocal agreements

Law enforcement:	Spokane County Sheriff's Department. In 2015, the contract was \$20, 856.
Fire and EMS:	SE Spokane County Fire Department #2. The contract was for \$22,808.
Animal Control:	Spokane County Regional Animal Protection Service for \$1,177.00.
Recycling:	Empire Disposal for \$175.00 per tipping.

Town of Fairfield
MCAG #0712
2014 Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The Town of Fairfield was incorporated on March 3, 1905 and operates under the laws of the state of Washington applicable to a Mayor/Council. The Town of Fairfield is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, library and general administrative services. In addition, the Town of Fairfield owns and operates a water/sewer system.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The Town of Fairfield's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The flowing fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund #001

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

Special Revenue Funds#100-199

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

Capital Projects Funds #300

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

PROPRIETARY FUND TYPES:

Enterprise Funds #401-499

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. These funds also account for debt backed solely by a pledge of the net revenues from fees and charges.

B. Basis of Accounting

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

In accordance with state law the Town of Fairfield also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

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

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

Fund/Department	Final Amounts	Appropriated	Actual Expenses	Variance
001 - Current Expense Fund				
Current Expense Fund		235,099.07	202,952.99	32,146.08
Planning & Comm. Development		2,800.00	633	2,167.00
Community Center Fund		26,259.04	15,657.82	10,601.22
Total 001 - Current Expense Fund		264,158.11	219,243.81	44,914.30
103 - Street Fund		100,777.61	81,002.66	19,774.95
104 - Criminal Justice Fund		29,727.20	25,884.85	3,842.35
107 - Cemetery Maintenance Fund		5,378.84	2,450.00	2,928.84
302 - Railroad To McNeil Rehabilitation Project		573,946.58	519,761.65	54,184.93
401 - Water Fund				
Water Fund		95,310.20	94,500.37	809.83
Replacement of Deteriorated Water lines		205,160.00		205,160.00
Water Capital Fund		31,700.00	23,322.99	8,377.01
Total 401 - Water Fund		332,170.20	117,823.36	214,346.84
404 - Sewer Fund				
Sewer Fund		128,125.20	120,218.07	7,907.13

Sewer Loan Service Fund	57,294.34	57,294.34	0.00
Sewer Capital Fund	15,000.00	10,843.67	4,156.33
Sewer System Improvement Project CDBG	144,845.00	120,835.41	24,009.59
Sewer System Improvement	3,940.20	0	3,940.20
Total 404 Sewer Fund	349,204.74	309,191.49	40,013.25

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

D. Cash and Investments

See Note 3, Deposits and Investments

E. Capital Assets

The Town of Fairfield does not have a Capitalization Policy. The capital assets of the Town of Fairfield are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 160 hours and is payable upon separation or retirement.

Under special circumstances, the council may approve additional accumulation hours of vacation with a specific timeline for diminishing the overage. Unused compensated pay is payable upon separation or retirement. There is no limit on the number of hours that can accumulate but these hours must be used before vacation hours. Sick leave may be accumulated up to 480 hours. Upon separation or retirement, employees do not receive payment for unused sick leave.

G. Long-Term Debt

See Note #4 Debt Service Requirements

H. Other Financing Sources or Uses

The Town of Fairfield's *Other Financing Sources or Uses* consist of interfund transfers.

I. Risk Management

The Town of Fairfield is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2014, 94 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

J. Reserved Portion of Ending Cash and Investments

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

Fund 103 Street Fund \$33,733.24 Restricted by MVF tax used only for street m/o and improvements

Fund 104 Criminal Justice Fund \$14,325.59 funds used for law enforcement contract.

Fund 106 Planning & Community Development \$4,438.13 Restricted by Growth management grant

Fund 108 Cemetery Improvement Fund \$57,740.84 Restricted by RCW 68.52.040 for cemetery maintenance and improvements

Fund 401 Water Fund \$8,852.70 Capital Purchases Fund

Fund 404 Sewer Fund \$102,857.00 Restricted for loan payments and Capital Purchases

Note 2 - Property Tax

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

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

The Town of Fairfield's regular levy for the year 2014 was \$2.929790 per \$1,000 on an assessed valuation of \$29,870,667 for a total regular levy of \$87,514.78.

Note 3 – Deposits and Investments

It is the Town of Fairfield's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds with the exception of the Cemetery Fund which only gets the interest generated from one Certificate of Deposit.

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

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Investments held by</u>	<u>Total year end</u>
CD # 1185	Bank of Fairfield	\$ 51,408.05
CD #20283	Bank of Fairfield	\$ 30,000.00
CD #100227	Bank of Fairfield	\$ 30,000.00
Savings Account	Bank of Fairfield	\$ 55,470.52
Total CD Investments		\$166,878.57

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Fairfield and summarizes the town's debt transactions for year ended December 31, 2014.

The debt service requirements for USDA and Department of Ecology loans, including both principle and interest, are as follows:

2015	47294.00
2016	47294.34
2017	47294.34
2018	47294.34
2019	47294.34
2020-2024	177899.86
2025-2029	139085.00
2030-2034	139085.00
2054-2039	139085.00
2040-2043	<u>88778.00</u>
	920404.22

Note 5-Health & Welfare

The Town of Fairfield is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with fewer than 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 6 - Pension Plans

Currently, no employees of the Town of Fairfield are participating in the public employer's compensation plan for 2014.

Note 7 - Other Disclosures

Extraordinary Events

Towards the end of 2013, The Town of Fairfield had significant wind damage done to the building that houses both our town shop and some fire department/EMS equipment. An itemized statement was sent to the insurance company and the town was reimbursed before the end of 2013 and the product had actually been purchased. The supplies were billed and paid for in 2014, giving the nonexpenditures in Fund 001 a negative balance. This is not reasonably expected to occur in the foreseeable future.

Funds were transferred from the General Fund to set up:

Fund 110 Fairfield Youth Fund \$3,635.36. There were actual funds that had been designated for the Fairfield Youth. This will make tracking the funds coming in and going out more accurate.

Fund 111 Fairfield Float \$500.00

The amount of \$7,859.41 was transferred from the Street Fund to the Railroad to McNeil Rehabilitation Project. This was done to cover the incomplete payments made from TIB. When these funds are repaid to the Town, the Street Fund will be replenished.

The sewer loan service fund has continued to grow beyond the funding agency requirements. The council decided to transfer \$10,000 from this fund to the capital improvement fund.

The Sewer System Improvement Project was funded by CDBG and at the funding agency's request; the retainage was paid to the Town of Fairfield prior to the actual closing of the project, thus leaving an ending balance at the end of 2014 of \$4,943.89. This amount was then paid to the contractor after the entire punch list was completed, which was in 2015.

Interlocal agreements

The Town of Fairfield has an annual interlocal agreement with the Spokane County Sheriff's Department for law enforcement. The cost varies from year to year partly due to the number of sheriff calls where they respond. In 2014, the Town of Fairfield paid \$22,764.00 for this interlocal agreement.

The Town of Fairfield has an agreement for fire and emergency medical protection with SE Spokane County Fire Department. This agreement runs for two year intervals. In 2014, the Town paid \$22,807.60.

**Town of Fairfield
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Design	4/30/2020	45,153	-	9,284	35,869
263.82	Construction	7/31/2022	66,459	-	8,308	58,151
263.82	USDA	6/25/2032	347,390	-	6,857	340,533
263.82	USDA	6/16/1943	83,820	-	1,555	82,265
259.12	Compensated Absences		8,616	-	484	8,132
Total Revenue and Other (non G.O.) Debt/Liabilities:			551,438	-	26,488	524,950
Total Liabilities:			551,438	-	26,488	524,950

**Town of Fairfield
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Design	4/30/2020	54,042	-	8,889	45,153
263.82	Construction	7/31/2022	74,767	-	8,308	66,459
263.82	USDA	6/25/2032	353,952	-	6,562	347,390
263.82	USDA	6/16/1943	85,308	-	1,488	83,820
259.12	Compensated Absences		6,520	2,096	-	8,616
Total Revenue and Other (non G.O.) Debt/Liabilities:			574,589	2,096	25,247	551,438
Total Liabilities:			574,589	2,096	25,247	551,438

**Town of Fairfield
Schedule of Liabilities
For the Year Ended December 31, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Design	4/30/2020	62,552	-	8,510	54,042
263.82	Construction	7/31/2022	83,075	-	8,308	74,767
263.82	USDA	6/25/2032	360,232	-	6,280	353,952
263.82	USDA	6/16/1943	86,732	-	1,424	85,308
259.12	Compensated Absences		3,374	1,007	-	4,381
259.12	Compensated Absences		2,023	116	-	2,139
Total Revenue and Other (non G.O.) Debt/Liabilities:			597,988	1,123	24,522	574,589
Total Liabilities:			597,988	1,123	24,522	574,589

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	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov