



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Electric City

Grant County

For the period January 1, 2015 through December 31, 2016

Published December 4, 2017

Report No. 1020123





Office of the Washington State Auditor
Pat McCarthy

December 4, 2017

Mayor and City Council
City of Electric City
Electric City, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

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	4
Independent Auditor's Report On Financial Statements	7
Financial Section.....	11
About The State Auditor's Office.....	48

**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 Electric City
Grant County
January 1, 2015 through December 31, 2016**

Mayor and City Council
City of Electric City
Electric City, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Electric City, Grant County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 19, 2017.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated November 17, 2017.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

October 19, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Electric City Grant County January 1, 2015 through December 31, 2016

Mayor and City Council
City of Electric City
Electric City, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Electric City, Grant County, Washington, for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Electric City, as of December 31, 2016 and

2015, 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 19, 2017 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

October 19, 2017

FINANCIAL SECTION

**City of Electric City
Grant County
January 1, 2015 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2016
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

City of Electric City
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	101 City Street Fund	112 Hotel-Motel Tax Fund
Beginning Cash and Investments					
30810	Reserved	2,393,616	-	534,354	316,241
30880	Unreserved	2,774,058	1,648,663	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	356,110	265,032	10,672	70,457
320	Licenses and Permits	7,977	7,977	-	-
330	Intergovernmental Revenues	104,801	48,843	55,957	-
340	Charges for Goods and Services	1,554,356	94,808	150	-
350	Fines and Penalties	727	727	-	-
360	Miscellaneous Revenues	29,131	16,621	1,986	1,251
Total Revenues:		2,053,102	434,009	68,765	71,707
Expenditures					
510	General Government	154,215	147,098	-	-
520	Public Safety	158,227	158,227	-	-
530	Utilities	1,331,237	112	699	-
540	Transportation	119,412	-	119,412	-
550	Natural and Economic Environment	64,462	10,422	-	54,040
560	Social Services	2,519	2,519	-	-
570	Culture and Recreation	16,132	16,132	-	-
Total Expenditures:		1,846,205	334,510	120,111	54,040
Excess (Deficiency) Revenues over Expenditures:		206,898	99,498	(51,346)	17,668
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	23,102	-	23,102	-
386 / 389	Custodial Activities	5,118	1,910	-	3,209
381, 395, 398	Other Resources	160,938	157,658	-	-
Total Other Increases in Fund Resources:		189,158	159,567	23,102	3,209
Other Decreases in Fund Resources					
594-595	Capital Expenditures	96,586	1,500	100	-
591-593, 599	Debt Service	267,839	-	-	-
597	Transfers-Out	24,000	24,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	1,935	1,935	-	-
581	Other Uses	150,150	-	-	-
Total Other Decreases in Fund Resources:		540,510	27,435	100	-
Increase (Decrease) in Cash and Investments:		(144,454)	231,631	(28,344)	20,877
Ending Cash and Investments					
5081000	Reserved	2,245,528	-	506,011	337,117
5088000	Unreserved	2,777,691	1,880,294	-	-
Total Ending Cash and Investments		5,023,219	1,880,294	506,011	337,117

The accompanying notes are an integral part of this statement.

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

		307 Municipal Capital Improvement	400 Water/Sewer Fund	440 Transfer Station Fund	470 Garbage Fund
Beginning Cash and Investments					
30810	Reserved	81,682	-	1,461,339	-
30880	Unreserved	-	761,445	-	363,950
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	9,949	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	682,850	473,541	303,007
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	326	2,598	4,874	1,476
Total Revenues:		10,275	685,448	478,415	304,482
Expenditures					
510	General Government	-	7,118	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	658,834	394,329	277,263
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	665,951	394,329	277,263
Excess (Deficiency) Revenues over Expenditures:		10,275	19,497	84,086	27,220
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	3,280	-
Total Other Increases in Fund Resources:		-	-	3,280	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	94,986	-
591-593, 599	Debt Service	-	124,564	143,275	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	150,150	-	-
Total Other Decreases in Fund Resources:		-	274,714	238,261	-
Increase (Decrease) in Cash and Investments:		10,275	(255,218)	(150,895)	27,220
Ending Cash and Investments					
5081000	Reserved	91,957	-	1,310,444	-
5088000	Unreserved	-	506,227	-	391,170
Total Ending Cash and Investments		91,957	506,227	1,310,444	391,170

City of Electric City
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	101 City Street Fund	112 Hotel-Motel Tax Fund
Beginning Cash and Investments					
30810	Reserved	2,653,879	-	637,860	283,312
30880	Unreserved	2,692,256	1,575,409	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	354,919	266,518	-	75,529
320	Licenses and Permits	8,368	8,368	-	-
330	Intergovernmental Revenues	67,129	45,846	21,283	-
340	Charges for Goods and Services	1,556,170	78,797	1,622	-
350	Fines and Penalties	3,270	3,270	-	-
360	Miscellaneous Revenues	18,072	13,561	797	388
Total Operating Revenues:		2,007,928	416,361	23,702	75,918
Operating Expenditures					
510	General Government	145,333	137,810	-	-
520	Public Safety	171,815	171,815	-	-
530	Utilities	1,226,943	90	688	-
540	Transportation	126,520	-	126,520	-
550	Natural and Economic Environment	58,904	15,916	-	42,988
560	Social Services	2,500	2,500	-	-
570	Culture and Recreation	2,199	2,199	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		1,734,213	330,330	127,208	42,988
Net Operating Increase (Decrease):		273,714	86,031	(103,506)	32,930
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	4,541	4,541	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		4,541	4,541	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	178,736	4,564	-	-
591-593	Debt Service	261,615	-	-	-
594-595	Capital Expenditures	14,365	10,754	-	-
597	Transfers-Out	2,000	2,000	-	-
Total Nonoperating Expenditures:		456,716	17,318	-	-
Net Increase (Decrease) in Cash and Investments:		(178,461)	73,254	(103,506)	32,930
Ending Cash and Investments					
5081000	Reserved	2,393,616	-	534,354	316,241
5088000	Unreserved	2,774,058	1,648,663	-	-
Total Ending Cash and Investments		5,167,674	1,648,663	534,354	316,241

The accompanying notes are an integral part of this statement.

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

		307 Municipal Capital Improvement	400 Water/Sewer Fund	440 Transfer Station Fund	470 Garbage Fund
Beginning Cash and Investments					
30810	Reserved	68,712	193,365	1,470,630	-
30880	Unreserved	-	778,716	-	338,131
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	12,872	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	677,020	514,386	284,344
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	99	1,119	1,627	481
Total Operating Revenues:		12,970	678,140	516,014	284,825
Operating Expenditures					
510	General Government	-	7,523	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	585,032	382,128	259,005
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		-	592,554	382,128	259,005
Net Operating Increase (Decrease):		12,970	85,586	133,886	25,820
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		-	-	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	174,172	-	-
591-593	Debt Service	-	118,439	143,176	-
594-595	Capital Expenditures	-	3,611	-	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		-	296,222	143,176	-
Net Increase (Decrease) in Cash and Investments:		12,970	(210,636)	(9,290)	25,820
Ending Cash and Investments					
5081000	Reserved	81,682	-	1,461,339	-
5088000	Unreserved	-	761,445	-	363,950
Total Ending Cash and Investments		81,682	761,445	1,461,339	363,950

The accompanying notes are an integral part of this statement.

City of Electric City
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	600 Severance Trust Fund	635 ECTBD
308	Beginning Cash and Investments	54,191	31,089	23,102
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	191	191	-
380-390	Other Increases and Financing Sources	898	24,000	(23,102)
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	-	-	-
	Net Increase (Decrease) in Cash and Investments:	1,089	24,191	(23,102)
508	Ending Cash and Investments	55,280	55,280	-

The accompanying notes are an integral part of this statement.

City of Electric City
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	600 Severance Trust Fund	635 ECTBD
308	Beginning Cash and Investments	43,933	29,048	14,885
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	10,020	41	9,979
380-390	Other Increases and Financing Sources	2,000	2,000	-
510-570	Expenditures	1,762	-	1,762
580-590	Other Decreases and Financing Uses	-	-	-
	Net Increase (Decrease) in Cash and Investments:	10,258	2,041	8,217
508	Ending Cash and Investments	54,191	31,089	23,102

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements
January 01, 2016 through December 31, 2016
MCAG #0302

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Electric City was incorporated on August 5, 1950 and operates under the laws of the state of Washington applicable to a non-charter code city with a Mayor-Council form of government. The City of Electric City is a general purpose government and provides public safety, street maintenance, parks and recreation, health and social services, and general administrative services. In addition, the City of Electric City owns and operates a water and sewer system.

The City of Electric City 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 investment, 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 (Current Expense) 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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Electric City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the City of Electric City holds for others in a custodial capacity. The City of Electric City maintains an Electric City Transportation District Fund to hold and distribute funds from the District to the City's Street Fund for transportation related maintenance and capital projects.

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 City of Electric City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

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

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

Fund	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense Fund			
Current Expense Fund	463,111.00	341,901.83	121,209.17
Fire Department Fund	64,000.00	6,611.35	57,388.65
Municipal Park Fund	37,172.00	3,964.65	33,207.35
Coulee Playland Park Cap.	20,000.00	9,465.86	10,533.14
Office Equipment Cum	0	0	0
<u>Total 001 - Current Expense Fund</u>	584,283.00	361,944.69	222,338.31

101- City Street Fund	177,450.00	120,189.60	57,260.40
103- Street Equipment	0	0	0
Total 101 - City Street Fund	177,450.00	120,189.60	57,260.40
112 - Hotel-Motel Tax Fund	87,000	50,040.00	36,960.00
400 - Water/Sewer Fund			
Water/Sewer Fund	1,087,017.00	940,665.45	146,351.55
W & S Capital Facilities	0	0	0
W & S Cum .Reserve	0	0	0
Total 400 - Water/Sewer Fund	1,087,017.00	940,665.45	146,351.55
440 - Transfer Station Fund			
Transfer Station Fund	643,265.00	576,866.05	66,398.95
Delano Post Closure Reserve Fund	70,000.00	55,723.98	14,276.02
Total 440 - Transfer Station Fund	713,265.00	632,590.03	80,674.97
470 - Garbage Fund	301,000.00	277,262.98	23,737.02
635 ECTBD	0	0	0

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

Interfund transfers were approved within the 2016 Budget by the City Council on December 13, 2015 by Ordinance No. 503-2015.

From	To	Amount
Severance Fund 001	Severance Fund 600	24,000.00
Transfer Station Fund 440	Delano Post Closure Fund 442	15,000.00
Water & Sewer Cum. Reserve 402	W & S Capital Facilities Fund 401	7837.28
Current Expense 001	City Park Fund 032	30,000.00

D. Cash and Investments

See Note 3, Deposits and Investments

E. Capital Assets

The City of Electric City does not have a formal capitalization policy for the 2016 reporting year.

F. Compensated Absences

Vacation leave may be accumulated indefinitely and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees do receive payment for unused sick leave on the following schedule. Employees who terminate employment by retiring, under the State guideline for PERS I or II, shall receive compensation for 100% accumulated leave up to sixty (60) days. For employees with (10) ten years of service on March 26, 2002, upon retirement any remaining unused accrued sick leave, above the initial (60) sixty days, shall be paid at twenty five percent (25%) or one (1) paid day for every (4) four days accumulated, up to an additional 30 days. A maximum of ninety (90) days of accumulated sick leave shall be paid to employees upon retirement. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 6, Debt Service Requirements.

H. Other Financing Sources or Uses

The City of Electric City's other financing sources or uses consist of operating transfer-in and transfers-out between funds, debt servicing and intergovernmental payments.

I. Risk Management

The City of Electric City is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34 cities 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 1, 2016, there are 205 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown and Crime Protection; and Liability, including General, Automobile, and Wrongful acts which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000 with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim, (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,718,302.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before

December 1, to terminating participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2016, were \$1,484,482.16.

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 ordinance of the City Council. When expenditures that meet restrictions are incurred, the City of Electric City intends to use reserved resources first before using unreserved amounts. The City of Electric City has the following reserve funds:

FUND 101 is the City Street Fund generated by Local Option Motor Vehicle Fuel Tax as restricted by the State under chapter 82.80.070 RCW – for transportation purposes only, consistent with the adopted transportation plan. In addition, beginning in 2016, with the City's assumption of the Transportation Benefit District. Vessel Registration Fees, as restricted by the state under chapter 88.02.650 RCW – to be used for boating safety education/programs and law enforcement programs - counties can further allocate this money to other jurisdictions with approved boating safety programs, but these funds cannot supplant existing local funds used for boating safety. Fund balance on December 31, 2016 was \$506,011.

FUND 112 Ordinance No. 372 passed in 2005 established the Hotel/Motel Fund generated by revenue from transient lodging tax and used for the construction of tourist facilities or for tourist promotion within the meaning of RCW 35.21.700 and RCW 67.28.210 and bears on the tourist expansion in the City of Electric City or the areas adjacent to the City of Electric City which bear upon its economic condition. Fund balance on December 31, 2016 was \$337,117.42.

FUND 307 is the Municipal Capital Improvement Fund generated by real estate excise taxes as imposed by the state under chapter 82.45 RCW and chapter 458-61 WAC. Fund balance on December 31, 2016 was \$91,956.94.

FUND 440 Ordinance No. 452-2012 created the Transfer Station Fund to be used only for the operation and maintenance of the transfer station. Fund Balance on December 31, 2016 was \$399,562.90.

FUND 442 Ordinance No. 453-2012 established a Transfer Station Post Closure Reserve Fund. This fund is used for the Transfer Station Closure costs, any other transfer station purpose or any other lawful public purpose. Fund balance on December 31, 2016 was \$910,880.65.

TOTAL BALANCE of all reserved funds is \$1,739,517.91.

NOTE 2- COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related or contractual provisions.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Investments are reported at cash/original value. Investment by type at December 31, 2016 are as follows.

Type of Investment	Total
L.G.I.P. #00650	2,929,618.40
L.G.I.P. #00654	993,331.44
North Cascades Bank CD#64080726	115,238.33
Total	\$ 4,038,188.17

NOTE 4 – PROPERTY TAX

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

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

The City of Electric City's regular levy for the year 2016 was 1.9578455879 per \$1,000 on an assessed valuation of \$70,326,399.00 for a total regular levy of \$135,553.07.

NOTE 5 – INTERFUND LOANS AND ADVANCES

In 2014 by Ordinance No. 483-2014 the city entered into a \$150,150.28 interfund loan between Current Expense Fund and Water/Sewer Fund for two years. This loan was for the sole purpose of providing funding for the first payment of the Drinking Water State Revolving Fund Loan while waiting for the City of Grand Coulee to pay their proportional part per Interlocal Agreement. The principal plus interest was repaid in December 2016.

Borrowing Fund	Lending Fund	Balance 1/1/2016	New Loans	Repayments	Balance 12/31/2016
Water/Sewer (400)	Current Expense (001)	150,150.28		150,150.28	0.00
Totals		150,150.28			0.00

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Electric City and summarizes the City's debt transactions for the year ended December 31, 2016.

The City of Electric City's long term debt is listed in The Schedule of Liabilities. Long term debt was obtained

through a joint venture relating to the Delano Landfill/Transfer Station. The City of Electric City became the lead agency for the Regional Board of Mayors (RBOM) on January 1, 2012 and oversees the operation of the Delano Landfill/Regional Transfer Station. The RBOM has joint liability for long term debt. The City is a participant in the RBOM and shares a portion of the debt as explained in further detail in **NOTE 8**. The outstanding debt in **NOTE 8** reflects Electric City's portion of this jointly held liability.

ARSENIC TREATMENT REMOVAL FACILITY

On February 22, 2011, the City of Electric City entered into a contract with the Washington State Department of Commerce, Public Works Board, and Drinking Water State Revolving Fund Loan. The loan has a term of 23 years for the amount of \$1,843,408.88. Annual repayment of principal and interest began in October 1, 2014. The city started construction of the Arsenic Removal Facility in March 2012 and council voted unanimously that the project was complete on October 2013. This debt will be shared with the City of Grand Coulee pursuant to the Interlocal Agreement for the sale and delivery of potable water signed May 2003 and the Amended and Restated Interlocal Agreement signed July 2015. The long term debt is listed in The Schedule of Liabilities.

Loan Agency	Date of Issue	Date of Maturity	Future Pending Loans	Beginning Outstanding Debt 01/01/16	Amount Issued Current Year	Amount Redeemed Current Year	Ending Outstanding Debt 12/31/16
Arsenic Treatment Loan	03/2011	10/01/2033		1,659,068.01		92,170.44	1,566,897.57
Totals				1,659,068.01		92,170.44	1,566,897.57

The debt service requirements for current outstanding loan, including interest, is as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2017		\$115,673.90		\$115,673.90
2018		\$114,291.35		\$114,291.35
2019		\$112,908.78		\$112,908.78
2020		111,526.24		111,526.24
2021		110,143.67		110,143.67
2022-2026		\$529,980.08		\$529,980.08
2027-2031		\$495,416.14		\$495,416.14
2032-2033		\$188,488.59		\$188,488.59
Total		\$1,778,428.75		\$1,778,428.75

NOTE 7 – PENSION PLANS

Substantially all of City of Electric City's full-time and qualifying, part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

- PERS

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

The City of Electric City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. This information can be obtained by writing to:

State of Washington Board for Volunteer Firefighters and Reserve Officers
PO Box 114
Olympia, WA 98507

This information may also be found on their website at www.bvff.wa.gov.

As of December 31, 2016 the City of Electric City proportionate share of the collective net pension liability for VFFRPF as reported on Schedule 09 is as follows.

As of June 30, 2016 the City of Electric City proportionate share of the collective net pension liability for DRS, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.002847	\$152,897
PERS 2	.003653	\$183,926
VFFRPF	.21%	(\$76.00)

NOTE 8 – JOINT VENTURES

GRAND COULEE/ELECTRIC CITY WASTEWATER TREATMENT FACILITY

The Wastewater Treatment Facility (WWTF) is owned jointly by the two governments. The City of Grand Coulee owns sixty three percent (63%) of the facility and the City of Electric City owns the remaining thirty seven percent (37%). There has been no change in this percentage since the inception of the joint venture, June 26, 1984. A five-member advisory board, comprised of three council members from Grand Coulee and two council members from Electric City administers the WWTF. One member appointed from each municipality shall serve for a period of three years, and the third member from Grand Coulee shall serve for one year. The Chairman of the

Board will alternate between each municipality annually. The governments do exercise specific control over the budgeting and financing of the WWTF activities.

Wastewater Treatment Facility revenues are derived from user fees, federal and state grants, and interest from investments. Non-routine expenditures over \$4,000 require board approval before submittal to municipalities. Participants in operating deficits are shared based on the joint agreement of Grand Coulee 63% and Electric City 37%. Contingent liability exists in the event of a revenue shortfall to be shared based on the joint agreement.

The Joint Board of Operation is responsible for the operation and maintenance of the facility. Each municipality approves the proposed annual budget. The approved proposal is then incorporated within the annual budget for Grand Coulee.

Each municipality establishes sewage disposal charges sufficient to meet the treatment costs. Grand Coulee controls disbursements. Electric City pays each month to Grand Coulee a disposal charge of their share of the operation and maintenance costs and administration.

The WWTF is located on U.S. Bureau of Reclamation property.

The Wastewater Treatment Facility is a component unit of Grand Coulee and Electric City, and is classified as an enterprise fund within Grand Coulee, the reporting entity.

DELANO LANDFILL/TRANSFER STATION

The Delano Landfill/Transfer Station is located between Electric City and Grand Coulee near the northern margin of Grant County and the Columbia Plateau in Central Washington. Delano Landfill/Regional Transfer Station is located on Grant County property within the City limits of Grand Coulee. The existing site is approximately 34.7 acres. The Landfill/Transfer Station currently receives waste from Grand Coulee, Electric City, Coulee Dam, Elmer City, the unincorporated areas surrounding the four cities, and the US Bureau of Reclamation.

The Delano Landfill history began October 1, 1968 when the Cities of Electric City and Grand Coulee with the Town's of Coulee Dam and Elmer City ("the parties") joined a cooperative agreement for licensing and operating a sanitary landfill. On November 15, 1974 Grant County was designated as the lead agency for County Wide Solid Waste Disposal System. On January 1, 1984, the municipalities of Electric City, Grand Coulee, Coulee Dam and Elmer City formed the Regional Board of Mayors (RBOM'S) and entered into an agreement to lease the sanitary landfill from Grant County. On January 1, 1989 and May 8, 1995 the municipalities entered into agreements with Grant County to continue the sanitary landfill lease agreement. On January 10, 1984 the municipalities entered into an agreement assigning Coulee Dam as administrator of the trust fund, and the Town of Coulee Dam established a fund of \$7,500.00 for closure costs of the landfill. On October 12, 1989 a new interlocal agreement was entered into and a 15% contribution from each community was established to pay for the future closure costs of the Landfill.

Currently, the Regional Board of Mayors oversees the operation of the Delano Landfill/Regional Transfer Station, along with recommending the user fees for the Landfill/Regional Transfer Station, for approval of each respective council. The City of Electric City prepares and submits the proposed annual budget for approval from the Regional Board, and then the approved proposal is incorporated within the budget ordinance for Electric City.

On August 13, 2007, the parties entered into a new Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Interlocal Cooperative Agreement outlines the working rules of the operation of the board. This agreement also established that the City of Grand Coulee shall maintain the books, records, documents, and other evidence and accounting procedures and practices, which sufficiently and properly reflect all revenues and direct and indirect costs and shall be compensated a monthly 15% operational administrative fee.

All funds of the joint operations of all parties known as the “Regional Board of Mayors” shall be deposited in the public treasury of the City of Grand Coulee. On December 31, 2007, the Town of Coulee Dam submitted to the City of Grand Coulee the following fund balances.

• Regional Board Landfill Fund	\$ 294,501.05
• Regional Board Post Closure Fund	\$ 160,330.49
• Regional Board Closure Fund	<u>\$ 320,811.84</u>
Total	\$ 775,643.38

In 2008 the City of Grand Coulee established the Solid Waste Handling Fund and combined the Landfill Closure and Post Closure Funds together within their public treasury accounting.

In 2009, the RBOM’s authorized the purchase of \$35,000 for walking floor trailers from the Solid Waste Handling Fund. The RBOM’s determined the Solid Waste Handling Fund was not needed and transferred \$123,174.49 from the Solid Waste Handling Fund to the Landfill Closure & Post Closure to meet the 2009 Financial Assurance Plan Balance. Remaining Funds were returned to the Operation & Maintenance Landfill Fund, resulting in a zero balance in the Solid Waste Handling Fund. The 441 Solid Waste Handling Fund was closed.

On December 19, 2011 the parties entered into a 4th Addendum to the Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Addendum transferred the administrative responsibilities from the City of Grand Coulee to the City of Electric City, effective January 1, 2012. This 4th Addendum also established an Audit Committee which shall be responsible for review and oversight of the books and records maintained by the Administrative City.

All funds of the joint operations of all parties known as the “Regional Board of Mayors” shall be deposited in the public treasury of the City of Electric City. On May 19, 2012, the City of Grand Coulee submitted to the City of Electric City \$171,625.20 and on April 9, 2013 submitted \$333,606.83 for the Transfer Station Fund balance of \$505,232.03. On August 27, 2013 The City of Grand Coulee submitted \$985,715.00 to be deposited to the Post Closure Fund. Total fund balances submitted below:

• Regional Board Transfer Station Fund	\$ 505,232.03
• Regional Board Post Closure Fund	<u>\$ 985,715.00</u>
Total	\$1,490,947.03

The City of Electric City reported the 2016 ending fund balance for RBOM’s funds within their public treasury as follows.

• Transfer Station Fund	\$ 317,112.96
• Transfer Station Post Closure Reserve Fund	<u>\$ 993,331.44</u>
Total	\$1,310,444.40

Complete financial statements may be obtained from the Electric City, City Clerk, P.O. Box 130, Electric City, WA 99123 and the Grand Coulee City Clerk, P O Box 180, Grand Coulee, WA 99133. A member of the City of Electric City administrative staff is assigned to act as secretary for the Regional Board of Mayors.

The City of Electric City employs and supervises the transfer station personnel. Electric City is reimbursed for the actual costs of employment from the RBOM’s funds held by the City of Electric City. Complete financial statements can be obtained from the City of Electric City, PO Box 130, Electric City, WA 99123.

In November 2007, a Final Closure, Post Closure and Financial Assurance Plans were prepared for the Delano Landfill Site. In November 2014 the Financial Assurance Plan was updated for current data information. Although the Plan states that an annual contribution to the Trust Fund would be \$13,248.00 the Regional Board of Mayors decided to keep that amount to \$15,000.00 to better meet future costs. In October 2015 the Financial Assurance

Plan was updated for the current data information. The amount of needed funds for post-closure was raised by \$80,634.00 and the annual contribution of \$15,000.00 remained the same. A complete copy of these plans may be obtained from the Clerk's office of the City of Electric City.

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Closure and Post Closure activities at the Delano Landfill. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to meet their obligation to fulfill all landfill closure and post closure requirements and to be jointly responsible for funding all costs and expenses, including, but not limited to, the obligation to repay loan proceeds of \$856,900.00 obtained from the Public Works Trust Fund Loan Program of the State of Washington. A complete copy of the addendum may be obtained from the Clerk's office of the City of Grand Coulee.

DELANO REGIONAL TRANSFER STATION

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Construction, Funding, and Operation of a Transfer Station. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to finance, construct, operate, and seek all necessary approvals from state, county, and local entities required for the construction and operation of a transfer station and for the transfer of waste from the transfer station to the Ephrata Landfill.

This addendum remains in effect for the term of the loans obtained to fund the construction of the transfer station, or so long as the transfer station is sufficient and adequate to serve the parties and they agree to continue its use, whichever period is longer.

During the term of this addendum, the parties agree to deliver all solid waste generated within each respective city, to the Transfer Station. Any contracts for solid waste collection within the four Cities must include a requirement that all collected solid waste be exclusively delivered to the transfer station. This exclusive utilization is necessary to meet the terms of repayment of the underlying loans from the Public Works Trust Fund Loan Program of the State of Washington in the amount of \$1,540,900.00 for the construction of the transfer station and continued maintenance and operation of the transfer station.

The parties may only terminate their participation prior to the full repayment of the underlying loans from the Public Works Trust Fund of the State of Washington, by paying, in advance, an early termination penalty in the amount of \$10,000.00 and its equitable share of the underlying loans and other expenses for the transfer station, which amounts shall be determined as follows:

$$D = \frac{a}{b} \times C$$

"D" represents equitable share of underlying loans and other expenses for Transfer Station

"a" represents average number of customers of withdrawing city for past 3 years

"b" represents average number of customers of all cities for past 3 years

"C" represents outstanding loan balances for construction of transfer station and closure and post closure of the Delano Landfill, plus each future year's O & M costs and expenses for the transfer station based on the actual total O & M for the year preceding early termination adjusted by the change in Consumer Price Index using "West Urban-All Urban Consumers-All Items."

Note: If termination occurs prior to end of the first 3 years of transfer station operation, the ratio would be based upon the number of customers for the months of operation of the transfer station preceding termination.

A complete copy of the addendum may be obtained from the Clerk's office of the City of Electric City.

During the period of January 1, 2016 through December 31, 2016 the parties jointly have the following outstanding loans and pending loans from State of Washington Public Works Trust Fund, for the construction of the Delano Regional Transfer Station, Closure of the Landfill and the State of Washington Treasurers Office for

a Semi-Tractor.

Loan Agency	Date of Issue	Date of Maturity	Future Pending Loans	Beginning Outstanding Debt 01/01/16	Amount Issued Current Year	Amount Redeemed Current Year	Ending Outstanding Debt 12/31/16
PWTF Transfer Station Loan	06/2008	06/2028	.00	1,064,171.87	.00	81,859.37	982,312.50
WA State Treasurers Office	11/2008	12/2018	.00	45,990.70	.00	14,563.61	31,427.09
PWTF Closure Loan	08/2008	06/2028	.00	480,511.73	.00	36,962.44	443,549.29
Totals			.00	1,590,674.30		133,385.42	1,457,288.88

The debt service requirements for current outstanding loans, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2017		\$142,680.92		\$142,680.92
2018		\$142,086.83		\$142,086.83
2019		\$124,762.91		\$124,762.91
2020		124,168.79		124,168.79
2021		123,574.70		123,574.70
2022-2026		\$608,961.80		\$608,961.80
2027-2028		\$239,425.96		\$239,425.96
Total		\$1,505,661.91		\$1,505,661.91

The parties have jointly agreed for financial reporting purposes that the outstanding loans since jointly owned by each entity will report their percentage of the outstanding loans and liabilities for landfill closure and post-closure on The Schedule of Liabilities, using the following formula: Total Statement of Billings from Contracted Solid Waste Collection Contractor (currently Sunrise Disposal) divided by amount billed to each entity.

For the period of January 1, 2016 to December 31, 2016 the total amount billed is as follows:

City of Electric City	\$	113,692.62	22%
City of Grand Coulee	\$	206,069.42	39%
Town of Coulee Dam	\$	175,766.83	34%

Town of Elmer City	\$	28,575.33	5%
TOTAL	\$	524,104.20	100%

NOTE 9 -FUND REPORTING

The City of Electric City has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- Current Expense Fund (001) includes the funds of 010, 021, 031 and 032
- Street Fund (101) includes fund 103
- Water/Sewer Fund (400) includes the funds of 401,409
- RBOM-Transfer Station Fund (440) includes fund 442.

NOTE 10- OTHER DISCLOSURES

ELECTRIC CITY MUNICIPAL COURT

Electric City Municipal Court does not maintain its own checking account. All court receipts are kept separate and deposited separately into the city's checking account. All revenues from traffic infraction penalties are receipted into the municipal court and the municipal court clerk reconciles the court's checking account and prepares reports to the City of Electric City showing the total funds received during the preceding month. A report is given that itemizes those funds that belong to the City, and those funds that are held on behalf of the State of Washington. The report is forwarded to the City Treasurer's office, who writes a check monthly to State of Washington. That portion of the revenue that belongs to the city is receipted into the city's current expense fund.

TRANSPORTATION BENEFIT DISTRICT

On October 23, 2012 the City approved the formation of a Transportation Benefit District (MCAG #3042). In a review of the 2013 and 2014 annual reports that was completed on December 31, 2015, the State Auditor's Office (SAO) recommended including the Electric City Transportation Benefit District funds in the City's financial statements. The City made this necessary transition beginning with the 2014 fiscal year prior to the end of the audit. The Electric City Transportation Benefit District has its own checking account and transfers money into the city's checking account as budgeted.

The City adopted Ordinance 467-2012 as allowed by RCW 36.73 to create the City of Electric City Transportation Benefit District (The District). The District was formed for the purposes of acquiring, constructing, improving, providing and funding transportation improvements within The District. The City Council constituted the governing body of the District and the District boundaries are the City Limits of the City of Electric City. The passed ordinance 505-2016 to assume the rights, powers, functions and obligations of the District effective January 12, 2016 as allowed by the Washington State Legislature's Second Engrossed Substitute Senate Bill 5987. The absorption of the District included a change of financial accounting from a fiduciary fund to a managerial fund within the City's Street Fund.

Beginning Fund Balance as of January 1, 2016	Deposits	Expenditures	Ending Fund Balance as of December 31,2016
\$23,102.30	\$10,672.20	0	\$33,774.50

MULTI AGENCY COMMUNICATIONS CENTER

In 2001, the City of Electric City entered into an Inter-local Cooperative Agreement with other municipalities, agencies, and fire districts located in Grant County under the authority of RCW Chapter 39.34 in order to provide for the joint exercise of their powers, privileges and authorities to operate a consolidated 911 emergency dispatch facility they named Multi Agency Communications Center (MACC). MACC serves as the Public Safety Answering Point for all of the law enforcement agencies in Grant County. The City paid \$5277.60 for user fees in fiscal year 2016.

Notes to the Financial Statements
January 01, 2015 through December 31, 2015
MCAG #0302

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Electric City was incorporated on August 5, 1950 and operates under the laws of the state of Washington applicable to a non-charter code city with a Mayor-Council form of government. The City of Electric City is a general purpose government and provides public safety, street maintenance, parks and recreation, health and social services, and general administrative services. In addition, the City of Electric City owns and operates a water and sewer system.

The City of Electric City 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 investment, 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 (Current Expense) 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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings,

and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Electric City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the City of Electric City holds for others in a custodial capacity. The City of Electric City maintains an Electric City Transportation District Fund to hold and distribute funds from the District to the City's Street Fund for transportation related maintenance and capital projects.

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 City of Electric City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

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

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

Fund	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense Fund			
Current Expense Fund	412,811.00	300,952.42	111,858.58
Fire Department Fund	64,000.00	35,941.27	28,058.73
Municipal Park Fund	14,000.00	10,754.45	3,245.55
Coulee Playland Park Cap.	0	0	0
Office Equipment Cum	0	0	0
<u>Total 001 - Current Expense Fund</u>	490,811.00	347,648.14	143,162.86

101- City Street Fund	176,600.00	127,207.53	49,392.47
103- Street Equipment	0	0	0
Total 101 - City Street Fund	176,600.00	127,207.53	49,392.47
112 - Hotel-Motel Tax Fund	53,219.00	42,988.09	10,230.91
400 - Water/Sewer Fund			
Water/Sewer Fund	802,939.00	714,604.14	88,334.86
W & S Capital Facilities	0	0	0
W & S Cum .Reserve	0	0	0
Municipal Wholesale Water Depreciation Fund		174,172.13	(174,172.13)
Total 400 - Water/Sewer Fund	802,939.00	888,776.27	(85,837.27)
440 - Transfer Station Fund			
Transfer Station Fund	619,415.00	468,458.59	150,956.41
Delano Post Closure Reserve Fund	70,000.00	56,845.91	13,154.09
Total 440 - Transfer Station Fund	689,415.00	525,304.50	164,110.50
470 - Garbage Fund	300,500.00	259,005.17	41,494.83
635 ECTBD	18,000.00	1,762.30	16,237.70

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

The following budget amendment was approved by the City council on April 14, 2015 by Ordinance No. 491-2015.

From	To	Amount
Current Expense Fund 001	Coulee Playland Fund 031	11,993
Current Expense Fund 001	City Park Fund 032	3,007

Interfund transfers were approved within the 2015 Budget by the City Council on December 9, 2014 by Ordinance No. 487-2014.

From	To	Amount
Current Expense Fund 001	Severance Fund 600	2,000.00
Transfer Station Fund 440	Delano Post Closure Fund 442	15,000.00
Current Expense 001	Coulee Playland Park Fund 031	30,353.00
Current Expense 001	City Park Fund 032	10,118.00

On July 14 2015 by Resolution No. 2015-16 Fund 409 entitled Municipal Wholesale Water Depreciation Fund was repealed. The resolution directed the City of Electric City to return all money owed to the City of Grand Coulee and the remaining balance to be transferred to Fund 401 entitled Capital Facilities. There was no budget amendment.

D. Cash and Investments

See Note 3, Deposits and Investments

E. Capital Assets

The City of Electric City does not have a formal capitalization policy for the 2015 reporting year.

F. Compensated Absences

Vacation leave may be accumulated indefinitely and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees do receive payment for unused sick leave on the following schedule. Employees who terminate employment by retiring, under the State guideline for PERS I or II, shall receive compensation for 100% accumulated leave up to sixty (60) days. For employees with (10) ten years of service on March 26, 2002, upon retirement any remaining unused accrued sick leave, above the initial (60) sixty days, shall be paid at twenty five percent (25%) or one (1) paid day for every (4) four days accumulated, up to an additional 30 days. A maximum of ninety (90) days of accumulated sick leave shall be paid to employees upon retirement. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 6, Debt Service Requirements.

H. Other Financing Sources or Uses

The City of Electric City's other financing sources or uses consist of operating transfer-in and transfers-out between funds, debt servicing and intergovernmental payments.

I. Risk Management

The City of Electric City is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 contact 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 program was formed on September 1, 1988, when 34 cities 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 1, 2015, there are 210 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown and Crime Protection; and Liability, including General, Automobile, and Wrongful acts which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000 with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim, (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment

point of \$2,140,107.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminating participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2015, were \$627,702.49.

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 ordinance of the City Council. When expenditures that meet restrictions are incurred, the City of Electric City intends to use reserved resources first before using unreserved amounts. The City of Electric City has the following reserve funds:

FUND 101 is the City Street Fund generated by Local Option Motor Vehicle Fuel Tax as restricted by the State under chapter 82.80.070 RCW – for transportation purposes only, consistent with the adopted transportation plan. Fund balance on December 31, 2016 was \$534,354.

FUND 112 Ordinance No. 372 passed in 2005 established the Hotel/Motel Fund generated by revenue from transient lodging tax and used for the construction of tourist facilities or for tourist promotion within the meaning of RCW 35.21.700 and RCW 67.28.210 and bears on the tourist expansion in the City of Electric City or the areas adjacent to the City of Electric City which bear upon its economic condition. Fund balance on December 31, 2015 was \$316,241.42.

FUND 307 is the Municipal Capital Improvement Fund generated by real estate excise taxes as imposed by the state under chapter 82.45 RCW and chapter 458-61 WAC. Fund balance on December 31, 2015 was \$81,681.87.

FUND 440 Ordinance No. 452-2012 created the Transfer Station Fund to be used only for the operation and maintenance of the transfer station. Fund Balance on December 31, 2015 was \$514,324.09.

FUND 442 Ordinance No. 453-2012 established a Transfer Station Post Closure Reserve Fund. This fund is used for the Transfer Station Closure costs, any other transfer station purpose or any other lawful public purpose. Fund balance on December 31, 2015 was \$947,014.76.

TOTAL BALANCE of all reserved funds is \$1,859,262.14.

NOTE 2- COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related or contractual provisions.

There has been expenditures exceeding legal appropriations in Fund 409 titled "Municipal Wholesale Water Depreciation. Please see Note 1. C entitled "Budget".

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Investments are reported at cash/original value. Investment by type at December 31, 2015 are as follows.

Type of Investment	Total
L.G.I.P. #00650	2,916,081.54
L.G.I.P. #00654	988,741.57
North Cascades Bank CD#64080726	115,122.84
Total	\$ 4,019,945.95

NOTE 4 – PROPERTY TAX

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

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

The City of Electric City's regular levy for the year 2015 was 2.184090 per \$1,000 on an assessed valuation of \$61,233,169.00 for a total regular levy of \$133,716.90.

NOTE 5 – INTERFUND LOANS AND ADVANCES

In 2014 by Ordinance No. 483-2014 the city entered into a \$150,150.28 interfund loan between Current Expense Fund and Water/Sewer Fund for two years. This loan was for the sole purpose of providing funding for the first payment of the Drinking Water State Revolving Fund Loan while waiting for the City of Grand Coulee to pay their proportional part per Interlocal Agreement. Interest is charged as defined by Ordinance 483-2014 and will be paid back at the time of the principle payment. The loan will be repaid in December 2016.

Borrowing Fund	Lending Fund	Balance 1/1/2015	New Loans	Repayments	Balance 12/31/2015
Water/Sewer (400)	Current Expense (001)	150,150.28		00.00	\$150,150.28
Totals		150,150.28			\$150,150.28

NOTE 6 – DEBT SERVICE REQUIREMENTS

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

The City of Electric City's long term debt is listed in the Schedule of Liabilities was obtained through a joint venture relating to the Delano Landfill/Transfer Station. The City of Electric City became the lead agency for the Regional Board of Mayors (RBOM) on January 1, 2012 and oversees the operation of the Delano Landfill/Regional Transfer Station. The RBOM has joint liability for long term debt. The City is a participant in the RBOM and shares a portion of the debt as explained in further detail in **NOTE 8**. The outstanding debt in **NOTE 8** reflects Electric City's portion of this jointly held liability.

ARSENIC TREATMENT REMOVAL FACILITY

On February 22, 2011, the City of Electric City entered into a contract with the Washington State Department of Commerce, Public Works Board, and Drinking Water State Revolving Fund Loan. The loan has a term of 23 years for the amount of \$1,843,408.88. Annual repayment of principal and interest began in October 1, 2014. The city started construction of the Arsenic Removal Facility in March 2012 and council voted unanimously that the project was complete on October 2013. This debt will be shared with the City of Grand Coulee pursuant to the Interlocal Agreement for the sale and delivery of potable water signed May 2003 and the Amended and Restated Interlocal Agreement signed July 2015. The long term debt is listed in the Schedule of Liabilities

Loan Agency	Date of Issue	Date of Maturity	Future Pending Loans	Beginning Outstanding Debt 01/01/15	Amount Issued Current Year	Amount Redeemed Current Year	Ending Outstanding Debt 12/31/15
Arsenic Treatment Loan	03/2011	10/01/2033		1,751,238.44		92,170.43	1,659,068.01
Totals				1,751,238.44		92,170.43	1,659,068.01

The debt service requirements for current outstanding loan, including interest, is as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2016		\$117,056.45		\$117,056.45
2017		\$115,673.90		\$115,673.90
2018		\$114,291.35		\$114,291.35
2019		\$112,908.78		\$112,908.78
2020		111,526.24		111,526.24
2021-2025		\$536,892.82		\$536,892.82
2026-2030		\$502,328.96		\$502,328.96

2031-2033		\$284,806.70		\$284,806.70
Total		\$1,895,485.20		\$1,895,485.20

NOTE 7 – PENSION PLANS

Substantially all of City of Electric City's full-time and qualifying, part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

- PERS

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

The City of Electric City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. This information can be obtained by writing to:

State of Washington Board for Volunteer Firefighters and Reserve Officers
PO Box 114
Olympia, WA 98507

This information may also be found on their website at www.bvff.wa.gov.

As of December 31, 2015 the City of Electric City proportionate share of the collective net pension liability for VFFRPF as reported on Schedule 09 is as follows.

As of June 30, 2015 the City of Electric City proportionate share of the collective net pension liability for DRS, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.002343	\$122,561.00
PERS 2	.003027%	\$108,156.00
VFFRPF	.24%	(\$109.00)

NOTE 8 – JOINT VENTURES

GRAND COULEE/ELECTRIC CITY WASTEWATER TREATMENT FACILITY

The Wastewater Treatment Facility (WWTF) is owned jointly by the two governments. The City of Grand Coulee owns sixty three percent (63%) of the facility and the City of Electric City owns the remaining thirty seven percent (37%). There has been no change in this percentage since the inception of the joint venture, June 26, 1984. A five-member advisory board, comprised of three council members from Grand Coulee and two council members from Electric City administers the WWTF. One member appointed from each municipality shall serve for a period of three years, and the third member from Grand Coulee shall serve for one year. The Chairman of the Board will alternate between each municipality annually. The governments do exercise specific control over the budgeting and financing of the WWTF activities.

Wastewater Treatment Facility revenues are derived from user fees, federal and state grants, and interest from investments. Non-routine expenditures over \$4,000 require board approval before submittal to municipalities. Participants in operating deficits are shared based on the joint agreement of Grand Coulee 63% and Electric City 37%. Contingent liability exists in the event of a revenue shortfall to be shared based on the joint agreement.

The Joint Board of Operation is responsible for the operation and maintenance of the facility. Each municipality approves the proposed annual budget. The approved proposal is then incorporated within the annual budget for Grand Coulee.

Each municipality establishes sewage disposal charges sufficient to meet the treatment costs. Grand Coulee controls disbursements. Electric City pays each month to Grand Coulee a disposal charge of their share of the operation and maintenance costs and administration.

The WWTF is located on U.S. Bureau of Reclamation property.

The Wastewater Treatment Facility is a component unit of Grand Coulee and Electric City, and is classified as an enterprise fund within Grand Coulee, the reporting entity.

DELANO LANDFILL/TRANSFER STATION

The Delano Landfill/Transfer Station is located between Electric City and Grand Coulee near the northern margin of Grant County and the Columbia Plateau in Central Washington. Delano Landfill/Regional Transfer Station is located on Grant County property within the City limits of Grand Coulee. The existing site is approximately 34.7 acres. The Landfill/Transfer Station currently receives waste from Grand Coulee, Electric City, Coulee Dam, Elmer City, the unincorporated areas surrounding the four cities, and the US Bureau of Reclamation.

The Delano Landfill history began October 1, 1968 when the Cities of Electric City and Grand Coulee with the Town's of Coulee Dam and Elmer City ("the parties") joined a cooperative agreement for licensing and operating a sanitary landfill. On November 15, 1974 Grant County was designated as the lead agency for County Wide Solid Waste Disposal System. On January 1, 1984, the municipalities of Electric City, Grand Coulee, Coulee Dam and Elmer City formed the Regional Board of Mayors (RBOM'S) and entered into an agreement to lease the sanitary landfill from Grant County. On January 1, 1989 and May 8, 1995 the municipalities entered into agreements with Grant County to continue the sanitary landfill lease agreement. On January 10, 1984 the municipalities entered into an agreement assigning Coulee Dam as administrator of the trust fund, and the Town of Coulee Dam established a fund of \$7,500.00 for closure costs of the landfill. On October 12, 1989 a new interlocal agreement was entered into and a 15% contribution from each community was established to pay for the future closure costs of the Landfill.

Currently, the Regional Board of Mayors oversees the operation of the Delano Landfill/Regional Transfer Station, along with recommending the user fees for the Landfill/Regional Transfer Station, for approval of each respective council. The City of Electric City prepares and submits the proposed annual budget for approval from the Regional Board, and then the approved proposal is incorporated within the budget ordinance for Electric City.

On August 13, 2007, the parties entered into a new Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Interlocal Cooperative Agreement outlines the working rules of the operation of the board. This agreement also established that the City of Grand Coulee shall maintain the books,

records, documents, and other evidence and accounting procedures and practices, which sufficiently and properly reflect all revenues and direct and indirect costs and shall be compensated a monthly 15% operational administrative fee.

All funds of the joint operations of all parties known as the “Regional Board of Mayors” shall be deposited in the public treasury of the City of Grand Coulee. On December 31, 2007, the Town of Coulee Dam submitted to the City of Grand Coulee the following fund balances.

• Regional Board Landfill Fund	\$ 294,501.05
• Regional Board Post Closure Fund	\$ 160,330.49
• Regional Board Closure Fund	<u>\$ 320,811.84</u>
Total	\$ 775,643.38

In 2008 the City of Grand Coulee established the Solid Waste Handling Fund and combined the Landfill Closure and Post Closure Funds together within their public treasury accounting.

In 2009, the RBOM’s authorized the purchase of \$35,000 for walking floor trailers from the Solid Waste Handling Fund. The RBOM’s determined the Solid Waste Handling Fund was not needed and transferred \$123,174.49 from the Solid Waste Handling Fund to the Landfill Closure & Post Closure to meet the 2009 Financial Assurance Plan Balance. Remaining Funds were returned to the Operation & Maintenance Landfill Fund, resulting in a zero balance in the Solid Waste Handling Fund. The 441 Solid Waste Handling Fund was closed.

On December 19, 2011 the parties entered into a 4th Addendum to the Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Addendum transferred the administrative responsibilities from the City of Grand Coulee to the City of Electric City, effective January 1, 2012. This 4th Addendum also established an Audit Committee which shall be responsible for review and oversight of the books and records maintained by the Administrative City.

All funds of the joint operations of all parties known as the “Regional Board of Mayors” shall be deposited in the public treasury of the City of Electric City. On May 19, 2012, the City of Grand Coulee submitted to the City of Electric City \$171,625.20 and on April 9, 2013 submitted \$333,606.83 for the Transfer Station Fund balance of \$505,232.03. On August 27, 2013 The City of Grand Coulee submitted \$985,715.00 to be deposited to the Post Closure Fund. Total fund balances submitted below:

• Regional Board Transfer Station Fund	\$ 505,232.03
• Regional Board Post Closure Fund	<u>\$ 985,715.00</u>
Total	\$1,490,947.03

The City of Electric City reported the 2015 ending fund balance for RBOM’s funds within their public treasury as follows.

• Transfer Station Fund	\$ 514,324.09
• Transfer Station Post Closure Reserve Fund	<u>\$ 947,014.76</u>
Total	\$1,461,338.85

Complete financial statements may be obtained from the Electric City, City Clerk, P.O. Box 130, Electric City, WA 99123 and the Grand Coulee City Clerk, P O Box 180, Grand Coulee, WA 99133. A member of the City of Electric City administrative staff is assigned to act as secretary for the Regional Board of Mayors.

The City of Electric City employs and supervises the transfer station personnel. Electric City is reimbursed for the actual costs of employment from the RBOM's funds held by the City of Electric City. Complete financial statements can be obtained from the City of Electric City, PO Box 130, Electric City, WA 99123.

In November 2007, a Final Closure, Post Closure and Financial Assurance Plans were prepared for the Delano Landfill Site. In November 2014 the Financial Assurance Plan was updated for current data information. Although the Plan states that an annual contribution to the Trust Fund would be \$13,248.00 the Regional Board of Mayors decided to keep that amount to \$15,000.00 to better meet future costs. In October 2015 the Financial Assurance Plan was updated for the current data information. The amount of needed funds for post-closure was raised by \$80,634.00 and the annual contribution of \$15,000.00 remained the same. A complete copy of these plans may be obtained from the Clerk's office of the City of Electric City.

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Closure and Post Closure activities at the Delano Landfill. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to meet their obligation to fulfill all landfill closure and post closure requirements and to be jointly responsible for funding all costs and expenses, including, but not limited to, the obligation to repay loan proceeds of \$856,900.00 obtained from the Public Works Trust Fund Loan Program of the State of Washington. A complete copy of the addendum may be obtained from the Clerk's office of the City of Grand Coulee.

DELANO REGIONAL TRANSFER STATION

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Construction, Funding, and Operation of a Transfer Station. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to finance, construct, operate, and seek all necessary approvals from state, county, and local entities required for the construction and operation of a transfer station and for the transfer of waste from the transfer station to the Ephrata Landfill.

This addendum remains in effect for the term of the loans obtained to fund the construction of the transfer station, or so long as the transfer station is sufficient and adequate to serve the parties and they agree to continue its use, whichever period is longer.

During the term of this addendum, the parties agree to deliver all solid waste generated within each respective city, to the Transfer Station. Any contracts for solid waste collection within the four Cities must include a requirement that all collected solid waste be exclusively delivered to the transfer station. This exclusive utilization is necessary to meet the terms of repayment of the underlying loans from the Public Works Trust Fund Loan Program of the State of Washington in the amount of \$1,540,900.00 for the construction of the transfer station and continued maintenance and operation of the transfer station.

The parties may only terminate their participation prior to the full repayment of the underlying loans from the Public Works Trust Fund of the State of Washington, by paying, in advance, an early termination penalty in the amount of \$10,000.00 and its equitable share of the underlying loans and other expenses for the transfer station, which amounts shall be determined as follows:

$$D = \frac{a}{b} \times C$$

"D" represents equitable share of underlying loans and other expenses for Transfer Station

"a" represents average number of customers of withdrawing city for past 3 years

"b" represents average number of customers of all cities for past 3 years

"C" represents outstanding loan balances for construction of transfer station and closure and post closure of the Delano Landfill, plus each future year's O & M costs and expenses for the transfer station based on the actual total O & M for the year preceding early termination adjusted by the change in Consumer Price Index using

"West Urban-All Urban Consumers-All Items.

Note: If termination occurs prior to end of the first 3 years of transfer station operation, the ratio would be based upon the number of customers for the months of operation of the transfer station preceding termination.

A complete copy of the addendum may be obtained from the Clerk's office of the City of Electric City.

During the period of January 1, 2015 through December 31, 2015 the parties jointly have the following outstanding loans and pending loans from State of Washington Public Works Trust Fund, for the construction of the Delano Regional Transfer Station, Closure of the Landfill and the State of Washington Treasurers Office for a Semi-Tractor.

Loan Agency	Date of Issue	Date of Maturity	Future Pending Loans	Beginning Outstanding Debt 01/01/15	Amount Issued Current Year	Amount Redeemed Current Year	Ending Outstanding Debt 12/31/15
PWTF Transfer Station Loan	06/2008	06/2028	.00	1,146,031.25	.00	81,859.38	1,064,171.87
WA State Treasurers Office	11/2008	12/2018	.00	59,837.76	.00	13,847.06	45,990.70
PWTF Closure Loan	08/2008	06/2028	.00	517,474.17	.00	36,962.44	480,511.73
Totals			.00	1,723,343.18		132,668.88	1,590,674.30

The debt service requirements for current outstanding loans, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2016		\$143,275.04		\$143,275.04
2017		\$142,680.92		\$142,680.92
2018		\$142,086.83		\$142,086.83
2019		\$124,762.91		\$124,762.91
2020		124,168.79		124,168.79
2021-2025		\$611,932.37		\$611,932.37
2026-2028		\$360,030.10		\$360,030.10
Total		\$1,648,936.96		\$1,648,936.96

The parties have jointly agreed for financial reporting purposes that the outstanding loans since jointly owned by each entity will report their percentage of the outstanding loans and liabilities for landfill closure and post-

closure on the Schedule of Liabilities, using the following formula: Total Statement of Billings from Contracted Solid Waste Collection Contractor (currently Sunrise Disposal) divided by amount billed to each entity.

For the period of January 1, 2015 to December 31, 2015 the total amount billed is as follows:

City of Electric City	\$	112,929.38	22%
City of Grand Coulee	\$	204,863.19	40%
Town of Coulee Dam	\$	164,863.34	32%
Town of Elmer City	\$	28,569.93	6%
TOTAL	\$	511,225.84	100%

NOTE 9 -FUND REPORTING

The City of Electric City has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- Current Expense Fund (001) includes the funds of 010, 021, 031 and 032
- Street Fund (101) includes fund 103
- Water/Sewer Fund (400) includes the funds of 401, 402, 409
- RBOM-Transfer Station Fund (440) includes fund 442.

NOTE 10- OTHER DISCLOSURES

ELECTRIC CITY MUNICIPAL COURT

Electric City Municipal Court does not maintain its own checking account. All court receipts are kept separate and deposited separately into the city's checking account. All revenues from traffic infraction penalties are receipted into the municipal court and the municipal court clerk reconciles the court's checking account and prepares reports to the City of Electric City showing the total funds received during the preceding month. A report is given that itemizes those funds that belong to the City, and those funds that are held on behalf of the State of Washington. The report is forwarded to the City Treasurer's office, who writes a check monthly to State of Washington. That portion of the revenue that belongs to the city is receipted into the city's current expense fund.

TRANSPORTATION BENEFIT DISTRICT

On October 23, 2012 the City approved the formation of a Transportation Benefit District (MCAG #3042). In a review of the 2013 and 2014 annual reports that was completed on December 31, 2015, the State Auditor's Office (SAO) recommended including the Electric City Transportation Benefit District funds in the City's financial statements. The City made this necessary transition beginning with the 2014 fiscal year prior to the end of the audit. The Electric City Transportation Benefit District has its own checking account and transfers money into the city's checking account as budgeted.

Beginning Fund Balance as of January 1, 2015	Deposits	Expenditures	Ending Fund Balance as of December 31, 2015
\$14,885.40	\$9,979.20	\$1,762.30	\$23,102.30

MULTI AGENCY COMMUNICATIONS CENTER

In 2001, the City of Electric City entered into an Inter-local Cooperative Agreement with other municipalities, agencies, and fire districts located in Grant County under the authority of RCW Chapter 39.34 in order to provide for the joint exercise of their powers, privileges and authorities to operate a consolidated 911 emergency dispatch facility they named Multi Agency Communications Center (MACC). MACC serves as the Public Safety Answering Point for all of the law enforcement agencies in Grant County. The City paid \$5,135.28 for user fees in fiscal year 2015.

REPORT OF SUSPECTED LOSS OF FUNDS

On February 11, 2015 the City reported a suspected loss of funds at the Delano Transfer Station to the Washington State Auditor's Office as required by state law (RCW 43.09.185). After a thorough investigation the auditor's office did not fully agree with the city's conclusion for clear assignment of responsibility.

**City of Electric City
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Liabilities for Landfill	12/31/2016	208,801	4,426	13,505	199,722
263.87	PWTF Loan PC08-951-036	5/10/2034	220,971	-	18,009	202,962
263.96	WA State Treasurers Local Program	5/29/2018	9,132	-	3,204	5,928
263.87	PWTF Loan PC08-9519-35	7/20/2028	101,996	-	8,132	93,864
263.83	DWSRF DM10-952+020	10/1/2033	1,659,068	-	92,170	1,566,898
Total General Obligation Debt/Liabilities:			2,199,968	4,426	135,020	2,069,374
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		112,449	5,591	-	118,040
264.30	Pension Liability		230,717	106,106	-	336,823
Total Revenue and Other (non G.O.) Debt/Liabilities:			343,166	111,697	-	454,863
Total Liabilities:			2,543,134	116,123	135,020	2,524,237

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Liabilities for Landfill	12/31/2015	203,632	17,739	12,571	208,801
263.81	PWTF Loan PC08-951-036	5/10/2034	238,980	-	18,009	220,971
263.81	WA State Treasurers Local Program	5/29/2018	12,178	-	3,046	9,132
263.81	PWTF Loan PC08-9519-35	7/20/2028	110,128	-	8,132	101,996
263.81	DWSRF DM10-952+020	10/1/2033	1,751,239	-	92,170	1,659,069
Total General Obligation Debt/Liabilities:			2,316,157	17,739	133,928	2,199,969
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		104,175	8,274	-	112,449
264.30	Pension Liability		-	230,717	-	230,717
Total Revenue and Other (non G.O.) Debt/Liabilities:			104,175	238,991	-	343,166
Total Liabilities:			2,420,332	256,730	133,928	2,543,135

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