



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

**Financial Statements Audit Report**

**City of Elma**

**Grays Harbor County**

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

**Published March 22, 2018**

**Report No. 1020944**





## Office of the Washington State Auditor

**Pat McCarthy**

March 22, 2018

Mayor and City Council  
City of Elma  
Elma, Washington

### **Report on Financial Statements**

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

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

Pat McCarthy  
State Auditor  
Olympia, WA

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

**City of Elma  
Grays Harbor County  
January 1, 2014 through December 31, 2016**

Mayor and City Council  
City of Elma  
Elma, 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 Elma, Grays Harbor County, Washington, as of and for the years ended December 31, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 8, 2018.

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.

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

March 8, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Elma Grays Harbor County January 1, 2014 through December 31, 2016

Mayor and City Council  
City of Elma  
Elma, Washington

### REPORT ON THE FINANCIAL STATEMENTS

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

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 Elma 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 Elma, for the years ended December 31, 2016, 2015 and 2014, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the 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 Elma, as of December 31, 2016, 2015 and 2014, or



the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.


## **Other Matters**

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

March 8, 2018

## **FINANCIAL SECTION**

**City of Elma  
Grays Harbor County  
January 1, 2014 through December 31, 2016**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Fund Resources and Uses Arising from Cash Transactions – 2015  
Fund Resources and Uses Arising from Cash Transactions – 2014  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016  
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Notes to Financial Statements – 2016  
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### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016  
Schedule of Liabilities – 2015  
Schedule of Liabilities – 2014

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense Fund</b>	<b>102 Street Maintenance Fund</b>	<b>103 Cemetery Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	347,295	-	-	-
30880	Unreserved	1,428,115	230,207	251,652	5,976
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,942,237	1,701,479	79,727	42,930
320	Licenses and Permits	34,656	34,656	-	-
330	Intergovernmental Revenues	226,498	114,036	104,326	-
340	Charges for Goods and Services	1,916,696	25,782	-	36,701
350	Fines and Penalties	37,261	37,261	-	-
360	Miscellaneous Revenues	50,971	10,751	1,086	220
Total Revenues:		4,208,319	1,923,965	185,138	79,850
<b>Expenditures</b>					
510	General Government	398,719	398,719	-	-
520	Public Safety	1,410,915	1,207,162	-	-
530	Utilities	1,457,189	4,833	-	54,797
540	Transportation	125,844	-	125,844	-
550	Natural and Economic Environment	27,095	27,095	-	-
560	Social Services	835	835	-	-
570	Culture and Recreation	177,691	85,656	-	-
Total Expenditures:		3,598,288	1,724,300	125,844	54,797
Excess (Deficiency) Revenues over Expenditures:		610,031	199,665	59,295	25,054
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	65,845	11,743	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		65,845	11,743	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	133,606	98,782	-	-
591-593, 599	Debt Service	154,127	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	6,615	-	-	4,169
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		294,349	98,782	-	4,169
<b>Increase (Decrease) in Cash and Investments:</b>		<b>381,528</b>	<b>112,626</b>	<b>59,295</b>	<b>20,885</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	360,177	-	-	-
5088000	Unreserved	1,796,761	342,833	310,946	26,860
<b>Total Ending Cash and Investments</b>		<b>2,156,938</b>	<b>342,833</b>	<b>310,946</b>	<b>26,860</b>

The accompanying notes are an integral part of this statement.

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

		<b>106 Hotel/motel Tax</b>	<b>201 G.o. Bonds Fund</b>	<b>302 Real Estate Excise Tax- Cap.imp</b>	<b>401 Water &amp; Sewer Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	159,560	-	30,358	157,377
30880	Unreserved	-	27,755	-	904,050
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	96,621	171	21,310	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	8,136	-
340	Charges for Goods and Services	-	-	-	1,642,517
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	20	-	38,894
Total Revenues:		96,621	191	29,446	1,681,411
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	1,397,560
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	92,035	-	-	-
Total Expenditures:		92,035	-	-	1,397,560
Excess (Deficiency) Revenues over Expenditures:		4,586	191	29,446	283,851
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	54,102
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	54,102
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	21,151	13,673
591-593, 599	Debt Service	-	-	-	154,127
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	2,446
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	21,151	170,246
<b>Increase (Decrease) in Cash and Investments:</b>		<b>4,586</b>	<b>191</b>	<b>8,295</b>	<b>167,707</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	164,146	-	38,654	157,377
5088000	Unreserved	-	27,946	-	1,071,756
<b>Total Ending Cash and Investments</b>		<b>164,146</b>	<b>27,946</b>	<b>38,654</b>	<b>1,229,133</b>

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

		<b>407 Ambulance Fund</b>
		<hr/>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	8,476
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	211,696
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		<hr/> 211,696
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	203,753
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 203,753
Excess (Deficiency) Revenues over Expenditures:		<hr/> 7,943
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> -
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> -
<b>Increase (Decrease) in Cash and Investments:</b>		<hr/> <b>7,943</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	16,419
<b>Total Ending Cash and Investments</b>		<hr/> <b>16,419</b>

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense Fund</b>	<b>102 Street Maintenance Fund</b>	<b>103 Cemetery Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	344,785	-	-	-
30880	Unreserved	1,563,132	216,544	255,677	31,043
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	1,661,560	1,484,401	54,296	15,082
320	Licenses and Permits	31,623	31,623	-	-
330	Intergovernmental Revenues	215,601	105,337	97,992	-
340	Charges for Goods and Services	1,782,326	34,477	-	13,885
350	Fines and Penalties	38,417	38,417	-	-
360	Miscellaneous Revenues	153,557	31,538	2,480	1
Total Operating Revenues:		3,883,083	1,725,792	154,768	28,968
<b>Operating Expenditures</b>					
510	General Government	403,433	403,433	-	-
520	Public Safety	1,330,211	1,130,372	-	-
530	Utilities	1,648,291	4,886	-	54,035
540	Transportation	158,792	-	158,792	-
550	Natural and Economic Environment	56,460	56,460	-	-
560	Social Services	720	720	-	-
570	Culture and Recreation	156,714	87,918	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		3,754,622	1,683,789	158,792	54,035
Net Operating Increase (Decrease):		128,462	42,003	(4,024)	(25,067)
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	13,450	13,450	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		13,450	13,450	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	3,442	812	-	-
591-593	Debt Service	154,488	-	-	-
594-595	Capital Expenditures	116,487	40,978	-	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		274,418	41,790	-	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(132,505)</b>	<b>13,663</b>	<b>(4,024)</b>	<b>(25,067)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	347,295	-	-	-
5088000	Unreserved	1,428,115	230,207	251,652	5,976
<b>Total Ending Cash and Investments</b>		<b>1,775,411</b>	<b>230,207</b>	<b>251,652</b>	<b>5,976</b>

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

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

		<b>106 Hotel/motel Tax</b>	<b>201 G.o. Bonds Fund</b>	<b>302 Real Estate Excise Tax- Cap.imp</b>	<b>401 Water &amp; Sewer Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	134,285	-	53,123	157,377
30880	Unreserved	-	27,181	-	1,029,867
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	94,071	560	13,150	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	12,273	-
340	Charges for Goods and Services	-	-	-	1,528,469
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	14	-	119,524
Total Operating Revenues:		94,071	574	25,422	1,647,993
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	1,589,370
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	68,796	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		68,796	-	-	1,589,370
Net Operating Increase (Decrease):		25,275	574	25,422	58,623
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		-	-	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	2,630
591-593	Debt Service	-	-	-	154,488
594-595	Capital Expenditures	-	-	48,187	27,322
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		-	-	48,187	184,440
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>25,275</b>	<b>574</b>	<b>(22,765)</b>	<b>(125,817)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	159,560	-	30,358	157,377
5088000	Unreserved	-	27,755	-	904,050
<b>Total Ending Cash and Investments</b>		<b>159,560</b>	<b>27,755</b>	<b>30,358</b>	<b>1,061,427</b>

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

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

	<b>407 Ambulance Fund</b>
<b>Beginning Cash and Investments</b>	
30810	Reserved -
30880	Unreserved 2,821
388 & 588	Prior Period Adjustments, Net -
<b>Operating Revenues</b>	
310	Taxes -
320	Licenses and Permits -
330	Intergovernmental Revenues -
340	Charges for Goods and Services 205,495
350	Fines and Penalties -
360	Miscellaneous Revenues -
Total Operating Revenues:	
	205,495
<b>Operating Expenditures</b>	
510	General Government -
520	Public Safety 199,840
530	Utilities -
540	Transportation -
550	Natural and Economic Environment -
560	Social Services -
570	Culture and Recreation -
598	Miscellaneous Expenses -
Total Operating Expenditures:	
	199,840
Net Operating Increase (Decrease):	
	5,655
<b>Nonoperating Revenues</b>	
370-380, 395 & 398	Other Financing Sources -
391-393	Debt Proceeds -
397	Transfers-In -
Total Nonoperating Revenues:	
	-
<b>Nonoperating Expenditures</b>	
580, 596 & 599	Other Financing Uses -
591-593	Debt Service -
594-595	Capital Expenditures -
597	Transfers-Out -
Total Nonoperating Expenditures:	
	-
<b>Net Increase (Decrease) in Cash and Investments:</b>	
	<b>5,655</b>
<b>Ending Cash and Investments</b>	
5081000	Reserved -
5088000	Unreserved 8,476
<b>Total Ending Cash and Investments</b>	
	<b>8,476</b>

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



**City of Elma**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense Fund</b>	<b>102 Street Maintenance Fund</b>	<b>103 Cemetery Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	306,034	-	-	-
30880	Unreserved	2,204,105	260,350	287,723	42,790
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	1,634,346	1,442,792	52,920	14,700
320	Licenses and Permits	27,859	27,859	-	-
330	Intergovernmental Revenues	172,373	95,601	74,794	-
340	Charges for Goods and Services	1,763,135	31,925	-	24,011
350	Fines and Penalties	34,558	34,558	-	-
360	Miscellaneous Revenues	27,007	9,302	67	1
Total Operating Revenues:		3,659,277	1,642,036	127,782	38,712
<b>Operating Expenditures</b>					
510	General Government	380,887	380,887	-	-
520	Public Safety	1,359,427	1,160,865	-	-
530	Utilities	1,971,605	5,745	-	50,458
540	Transportation	157,767	-	157,767	-
550	Natural and Economic Environment	45,995	45,995	-	-
560	Social Services	674	674	-	-
570	Culture and Recreation	161,257	86,715	-	-
Total Operating Expenditures:		4,077,612	1,680,882	157,767	50,458
Net Operating Increase (Decrease):		(418,335)	(38,845)	(29,985)	(11,746)
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	12,875	12,537	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		12,875	12,537	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	7,736	5,587	-	-
591-593	Debt Service	155,210	-	-	-
594-595	Capital Expenditures	33,814	11,909	2,062	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		196,760	17,496	2,062	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(602,220)</b>	<b>(43,804)</b>	<b>(32,047)</b>	<b>(11,746)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	344,785	-	-	-
5088000	Unreserved	1,563,132	216,544	255,677	31,043
<b>Total Ending Cash and Investments</b>		<b>1,907,917</b>	<b>216,544</b>	<b>255,677</b>	<b>31,043</b>

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

**City of Elma**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

		<b>106 Hotel/motel Tax</b>	<b>201 G.o. Bonds Fund</b>	<b>302 Real Estate Excise Tax- Cap.imp</b>	<b>401 Water &amp; Sewer Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	115,093	-	33,564	157,377
30880	Unreserved	-	25,338	-	1,580,038
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	93,733	1,230	28,971	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,977	-
340	Charges for Goods and Services	-	-	-	1,513,184
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	614	-	17,024
Total Operating Revenues:		93,733	1,844	30,948	1,530,208
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	1,915,401
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	74,542	-	-	-
Total Operating Expenditures:		74,542	-	-	1,915,401
Net Operating Increase (Decrease):		19,191	1,844	30,948	(385,193)
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	338
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		-	-	-	338
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	2,149
591-593	Debt Service	-	-	-	155,210
594-595	Capital Expenditures	-	-	11,389	7,955
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		-	-	11,389	165,314
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>19,191</b>	<b>1,844</b>	<b>19,559</b>	<b>(550,169)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	134,285	-	53,123	157,377
5088000	Unreserved	-	27,181	-	1,029,867
<b>Total Ending Cash and Investments</b>		<b>134,285</b>	<b>27,181</b>	<b>53,123</b>	<b>1,187,244</b>

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

**City of Elma**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

		<b>407 Ambulance Fund</b>
		<hr/>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	7,867
388 & 588	Prior Period Adjustments, Net	-
<b>Operating Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	194,016
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Operating Revenues:		<hr/> 194,016
<b>Operating Expenditures</b>		
510	General Government	-
520	Public Safety	198,562
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Operating Expenditures:		<hr/> 198,562
Net Operating Increase (Decrease):		<hr/> (4,546)
<b>Nonoperating Revenues</b>		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<hr/> -
<b>Nonoperating Expenditures</b>		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	500
597	Transfers-Out	-
Total Nonoperating Expenditures:		<hr/> 500
<b>Net Increase (Decrease) in Cash and Investments:</b>		<hr/> <b>(5,046)</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	2,821
<b>Total Ending Cash and Investments</b>		<hr/> <b>2,821</b>

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>652 Court -State Reimbursement s</b>
308	Beginning Cash and Investments	-	-
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	44,511	44,511
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	44,511	44,511
	Net Increase (Decrease) in Cash and Investments:	-	0
508	Ending Cash and Investments	-	-

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>652 Court -State Reimbursement s</b>
308	Beginning Cash and Investments	-	-
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	42,351	42,351
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	42,352	42,352
	Net Increase (Decrease) in Cash and Investments:	(1)	(1)
508	Ending Cash and Investments	-	-

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

**City of Elma**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

		<b>Total for All Funds (Memo Only)</b>	<b>652 Court -State Reimbursement s</b>
308	Beginning Cash and Investments	-	-
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	39,368	39,368
510-570	Expenditures	44	44
580-590	Other Decreases and Financing Uses	39,324	39,324
	Net Increase (Decrease) in Cash and Investments:	-	(0)
508	Ending Cash and Investments	-	-

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

**CITY OF ELMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2016 THROUGH DECEMBER 31, 2016**

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

**THE CITY OF ELMA WAS INCORPORATED IN 1889 AND OPERATES UNDER THE LAWS OF THE STATE OF WASHINGTON APPLICABLE TO A CITY GOVERNMENT. THE CITY IS A GENERAL PURPOSE LOCAL GOVERNMENT AND PROVIDES PUBLIC SAFETY, FIRE PREVENTION, HEALTH AND SOCIAL SERVICES, AND GENERAL ADMINISTRATIVE SERVICES.**

**THE 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 STATES AS SUPPLEMENTARY INFORMATION.**
- **SUPPLEMENTARY INFORMATION REQUIRED BY GAAP IS NOT PRESENTED.**
- **ENDING BALANCES ARE NOT PRESENTED USING THE CLASSIFICATIONS DEFINED IN GAAP.**

## **A. FUND ACCOUNTING**

FINANCIAL TRANSACTIONS OF THE GOVERNMENT ARE REPORTED IN INDIVIDUAL FUNDS. EACH FUND USES A SEPARATE SET OF SELF-BALANCING ACCOUNTS THAT COMPRISES ITS CASH AND INVESTMENTS, REVENUES AND EXPENDITURES. THE GOVERNMENT'S RESOURCES ARE ALLOCATED TO AND ACCOUNTED FOR IN INDIVIDUAL FUNDS DEPENDING ON THEIR INTENDED PURPOSE. EACH FUND IS REPORTED AS A SEPARATE COLUMN IN THE FINANCIAL STATEMENTS. THE FOLLOWING FUND TYPES ARE USED:

### **GOVERNMENTAL FUND TYPES: GENERAL FUND**

THIS FUND IS THE PRIMARY OPERATING FUND OF THE CITY OF ELMA. 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 CITY OF ELMA.

### **DEBT SERVICE FUNDS**

THESE FUNDS ACCOUNT FOR THE FINANCIAL RESOURCES THAT ARE RESTRICTED, COMMITTED OR ASSIGNED TO EXPENDITURES FOR PRINCIPAL, INTEREST AND RELATED COSTS ON GENERAL LONG-TERM DEBT.

### **CAPITAL PROJECTS FUND**

THESE FUNDS ACCOUNT FOR FINANCIAL RESOURCES WHICH ARE RESTRICTED, COMMITTED, OR ASSIGNED FOR THE ACQUISITION OR CONSTRUCTION OF CAPITAL FACILITIES OR OTHER CAPITAL ASSETS.

### **PROPRIETARY FUND TYPES- ENTERPRISE FUNDS**



THESE FUNDS ACCOUNT FOR OPERATIONS THAT PROVIDE GOODS OR SERVICES TO THE GENERAL PUBLIC AND ARE SUPPORTED PRIMARILY THROUGH USER CHARGES.

#### **FIDUCIARY FUND TYPE**

FIDUCIARY FUNDS ACCOUNT FOR ASSETS HELD BY THE CITY OF ELMA IN A TRUSTEE CAPACITY OR AS AN AGENT ON BEHALF OF OTHERS.

#### **AGENCY FUNDS**

THESE FUNDS ARE USED TO ACCOUNT ASSETS THAT CITY OF ELMA HOLDS FOR OTHERS IN A CUSTODIAL CAPACITY.

#### **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 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 ELMA ADOPTS ANNUAL APPROPRIATED BUDGETS FOR ALL FUNDS. THESE BUDGETS ARE APPROPRIATED AT THE FUND LEVEL (EXCEPT THE GENERAL (CURRENT EXPENSE) FUND, WHERE BUDGET IS ADOPTED AT THE DEPARTMENT LEVEL). THE BUDGET CONSTITUTES THE LEGAL AUTHORITY FOR EXPENDITURES AT THAT LEVEL. ANNUAL APPROPRIATIONS FOR THESE FUNDS LAPSE AT THE FISCAL YEAR END.

ANNUAL APPROPRIATED BUDGETS ARE ADOPTED ON THE SAME BASIS OF ACCOUNTING AS USED FOR FINANCIAL REPORTING.

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>			
<b>510 Department</b>	<b>\$ 461,460.00</b>	<b>\$ 401,360.00</b>	<b>\$ 60,100.00</b>
<b>520 Department</b>	<b>\$1,424,481.00</b>	<b>\$1,303,303.00</b>	<b>\$ 121,178.00</b>
<b>530 Department</b>	<b>\$ 6,290.00</b>	<b>\$ 4,833.00</b>	<b>\$ 1,457.00</b>
<b>550- 560 Department</b>	<b>\$ 56,926.00</b>	<b>\$ 27,930.00</b>	<b>\$ 28,996.00</b>
<b>570 Department</b>	<b>\$ 106,450.00</b>	<b>\$ 85,656.00</b>	<b>\$ 20,794.00</b>
<b>Total General Fund</b>	<b>\$2,055,607.00</b>	<b>\$1,823,082.00</b>	<b>\$ 232,525.00</b>
<b>102 Fund</b>	<b>\$1,168,875.00</b>	<b>\$ 125,844.00</b>	<b>\$1,043,031.00</b>
<b>103 Fund</b>	<b>\$ 61,550.00</b>	<b>\$ 58,966.00</b>	<b>\$ 2,584.00</b>
<b>106 Fund</b>	<b>\$ 92,600.00</b>	<b>\$ 92,035.00</b>	<b>\$ 565.00</b>
<b>201 Fund</b>	<b>\$ 27,710.00</b>	<b>\$ -0-</b>	<b>\$ 27,710.00</b>
<b>302 Fund</b>	<b>\$ 23,000.00</b>	<b>\$ 21,151.00</b>	<b>\$ 1,849.00</b>
<b>401 Fund</b>	<b>\$2,637,651.00</b>	<b>\$1,567,806.00</b>	<b>\$1,069,845.00</b>
<b>407 Fund</b>	<b>\$ 207,800.00</b>	<b>\$ 203,753.00</b>	<b>4,047.00</b>

### **3. AMENDING THE BUDGET**

BUDGETED AMOUNTS ARE AUTHORIZED TO BE TRANSFERRED BETWEEN (DEPARTMENTS WITHIN ANY FUND/OBJECT CLASSES WITHIN DEPARTMENTS); HOWEVER, ANY REVISIONS THAT ALTER THE TOTAL EXPENDITURES OF A FUND, OR THAT AFFECT THE NUMBER OF AUTHORIZED EMPLOYEE POSITIONS, SALARY RANGES, HOURS, OR OTHER CONDITIONS OF EMPLOYMENT MUST BE APPROVED BY THE CITY COUNCIL.

#### **D. CASH AND INVESTMENTS- SEE NOTE 3, INVESTMENTS**

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. THE AMOUNT IS INCLUDED IN THE CASH AND INVESTMENTS SHOWN ON THE STATEMENTS OF FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS. THE INTEREST ON THESE INVESTMENTS IS PRORATED TO THE VARIOUS FUNDS.

THE CITY HAS A REVOLVING PETTY CASH FUND SET UP IN CURRENT EXPENSE IN THE AMOUNT OF \$100.00. THE CLERK'S OFFICE HAS 3 CASH DRAWERS WITH \$50 SET UP IN WATER/SEWER, AND THE COURT CLERK HAS A CASH DRAWER WITH \$100 SET UP IN CURRENT EXPENSE FOR A TOTAL OF \$350.00. THIS AMOUNT IS INCLUDED IN THE C-4 BEGINNING FUND RESERVE BALANCES.

#### **E. CAPITAL ASSETS**

CAPITAL ASSETS ARE LONG-LIVED ASSETS OF THE CITY AND ARE RECORDED AS EXPENDITURES WHEN PURCHASED.

#### **F. COMPENSATED ABSENCES**

VACATION LEAVE MAY BE ACCUMULATED UP TO 25 DAYS FOR POLICE PER NFOP CONTRACT, AND UP TO 20 DAYS PER TEAMSTERS CONTRACT AND IS PAYABLE UPON SEPARATION.

SICK LEAVE MAY BE ACCUMULATED WITH A MAXIMUM OF ONE THIRD (1/3) OF A TOTAL OF 960 BEING PAID UPON RETIREMENT.

#### **G. LONG TERM DEBT - SEE NOTE 4- DEBT SERVICES REQUIREMENTS**

**H. RISK MANAGEMENT –SEE OTHER DISCLOSURES – NOTE 6**

**I. RESERVED PORTION OF ENDING CASH AND INVESTMENTS**

BEGINNING AND ENDING CASH AND INVESTMENTS IS REPORTED AS RESERVED WHEN IT IS SUBJECT TO RESTRICTIONS ON USE IMPOSED BY EXTERNAL PARTIES OR DUE TO INTERNAL COMMITMENTS ESTABLISHED BY COUNCIL. WHEN EXPENDITURES THAT MEET RESTRICTIONS ARE INCURRED, THE CITY INTENDS TO USE RESERVED RESOURCES FIRST BEFORE USING UNRESERVED AMOUNTS.

**RESERVED FUND BALANCES**

THE CITY OF ELMA BEGINNING AND ENDING RESERVE BALANCE FOR 401 ARE MONIES THAT ARE SET ASIDE TO PAY THE YEARLY PAYMENT TO PWTf FOR A LOAN WE TOOK OUT TO BUILD THE WASTEWATER TREATMENT PLANT.

FUND 302 - REAL ESTATE EXCISE TAX - BEGINNING AND ENDING BALANCES ARE RESERVED BECAUSE OF RESTRICTIONS ON THE SPENDING OF REVENUES.

FUND 106 - HOTEL/MOTEL TAX FUND - THIS FUND IS RESERVED DUE TO THE RESTRICTIONS ON THE SPENDING OF REVENUES.

**NOTE 2 - INVESTMENTS**

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. THE INTEREST ON INVESTMENTS IS PRORATED TO THE VARIOUS FUNDS.

ALL DEPOSITIS AND CERTIFICATES OF DEPOSIT ARE COVERED BY (THE FEDERAL DEPOSIT INSURANCE CORPORATION AND/OR THE WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION). ALL INVESTMENTS ARE INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE GOVERNMENT'S NAME.

INVESTMENTS ARE REPORTED AT AMORTIZED COST. INVESTMENTS BY TYPE AT DECEMBER 31, 2016 ARE AS FOLLOWS:

<u>TYPE OF INVESTMENT</u>	<u>BALANCE</u>
LOCAL GOVERNMENT INVESTMENT POOL	<u>\$1,151,092.54</u>
TIMBERLAND (SAVINGS)	<u>407,504.60</u>
TOTAL	<u>\$1,558,597.14</u>

### NOTE 3 - PROPERTY TAXES

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 CITY OF ELMA. DELINQUENT TAXES ARE CONSIDERED FULLY COLLECTIBLE BECAUSE A LIEN AFFIXES TO THE PROPERTY AFTER TAX IS LEVIED.

THE CITY'S REGULAR LEVY FOR THE YEAR 2016 WAS \$3.1690984 PER \$1,000 ON AN ASSESSED VALUATION OF \$195,082,821 FOR A TOTAL LEVY OF \$618,236.

THE CITY'S POLICE LEVY FOR THE YEAR 2016 WAS \$1.2960787 PER \$1,000 ON AN ASSESSED VALUATION OF \$192,865,633 FOR A TOTAL LEVY OF \$249,969.

### NOTE 4 – DEBT SERVICE REQUIREMENTS

THE ACCOMPANYING SCHEDULE OF LIABILITIES (09) PROVIDES MORE DETAILS OF THE OUTSTANDING DEBT AND LIABILITIES OF THE CITY AND SUMMARIZES THE CITY'S DEBT TRANSACTIONS FOR YEAR ENDED DECEMBER 31, 2016.

THE DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS AND/OR REVENUE BONDS INCLUDING BOTH PRINCIPLE AND INTEREST, ARE AS FOLLOWS:

YEAR	PUB.WORKS TRUST FUND	REVENUE WWTP)2024	TOTAL DEBT
2017	19,133.66	134,451.94	153,585.60
2018	18,592.03	134,451.94	153,043.97
2019	-0-	134,451.94	134,451.94
2020	-0-	134,451.94	134,451.94
2021		134,451.94	134,451.94
2022-2024		336,129.79	336,129.79
<b>TOTAL</b>	<b>\$ 37,725.69</b>	<b>\$1,008,389.49</b>	<b>\$1,046,115.18</b>

**NOTE 5 - PENSION PLANS**

SUBSTANTIALLY ALL CITY'S FULL TIME AND QUALIFYING PART-TIME EMPLOYEES PARTICIPATE IN THE FOLLOWING STATEWIDE RETIREMENT SYSTEMS ADMISITERED BY THE WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS (DRS), UNDER COST-SHARING, MULTIPLE-EMPLOYER PUBLIC EMPLOYEE DEFINED BENEFIT AND DEFINED CONTRIBUTION RETIREMENT PLANS PERS AND LEOFF.

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 98504-8380

ALSO, THE DRS CAFR MAY BE DOWLOADED FROM THE DRS WEBSITE AT [WWW.DRS.WA.GOV](http://WWW.DRS.WA.GOV).

THE 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. DETAILED INFORMATION ABOUT THE PLAN IS INCLUDED IN THE STATE OF WASHINGTON CAFR AVAILABLE FROM THE OFFICE OF FINANCIAL MANAGEMENT WEBSITE AT [WWW.OFM.WA.GOV](http://WWW.OFM.WA.GOV).

AT JUNE 30, 2016 (THE MEASUREMENT DATE OF THE PLANS), THE CITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITIES, AS REPORTED ON THE SCHEDULE 09, WAS AS FOLLOWS:

	ALLOCATION	LIABILITY
PERS 1 UAAL	.005578%	\$299,565
PERS 2/3	.007121%	\$358,537
LEOFF 1	.002947%	\$ -0-
LEOFF 2	.016946%	\$ -0-

THE CITY OF ELMA HAS THREE RETIREES IN LEOFF PLAN 1. THE LEOFF PLAN 1 IS FULLY FUNDED AND NO FURTHER EMPLOYER CONTRIBUTIONS HAVE BEEN REQUIRED SINCE JUNE, 2000. IF THE PLAN BECOMES UNDERFUNDED, FUNDING OF THE REMAINING LIABILITY WILL REQUIRE NEW LEGISLATION. STARTING ON JULY 1, 2000, EMPLOYERS AND EMPLOYEES CONTRIBUTE ZERO PERCENT.

THE CITY ALSO PARTICIPATES IN THE LEOFF PLAN 2. THE LEGISLATURE, BY MEANS OF A SPECIAL FUNDING ARRANGEMENT, APROPRIATES MONEY FROM THE STATE GENERAL FUND TO SUPPLEMENT THE CURRENT SERVICE LIABILITY AND FUND THE PRIOR SERVICE COSTS OF PLAN 2 IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE PENSION FUNDING COUNCIL AND THE LEOFF PLAN 2 RETIREMENT BOARD. THIS SPECIAL FUNDING SITUATION IN NOT MANDATED BY THE STATE CONSTITUTION AND COULD BE CHANGED BY STATUTE.

## **NOTE 6 - OTHER DISCLOSURES**

### **DEFERRED COMPENSATION PLAN**

THE CITY OF ELMA OFFERS ITS EMPLOYEES TWO DEFERRED COMPENSATION PLANS CREATED IN ACCORDANCE WITH INTERNAL REVENUE CODE SECTION 457. THESE PLANS ARE WITH PEBSCO (UNITED STATES CONFERENCE OF MAYORS DEFERRED COMPENSATION PROGRAM) AND THE STATE OF WASHINGTON COMMITTEE FOR DEFERRED COMPENSATION. THE PLAN IS AVAILABLE TO ELIGIBLE EMPLOYEES, AND PERMITS THEM TO DEFER A PORTION OF THEIR SALARY UNTIL FUTURE YEARS. THE DEFERRED COMPENSATION IS NOT AVAILABLE TO EMPLOYEES UNTIL TERMINATION, RETIREMENT, DEATH, OR UNFORESEEABLE EMERGENCY.

COMPENSATION DEFERRED UNDER THE PLAN AND ALL INCOME ATTRIBUTABLE TO THE PLANS IS SOLELY THE PROPERTY OF THE CITY OF ELMA. THE CITY'S RIGHTS TO THIS PROPERTY ARE SUBJECT ONLY TO THE CLAIMS OF CITY'S GENERAL CREDITORS UNTIL PAID TO THE EMPLOYEE OR OTHER BENEFICIARY AND ARE NOT RESTRICTED TO THE BENEFIT PROVISIONS UNDER THESE PLANS.

IT IS THE OPINION OF THE CITY'S LEGAL COUNSEL THAT THE CITY HAS NO LIABILITY FOR LOSSES UNDER THE PLAN BUT DOES HAVE THE DUTY OF DUE CARE THAT WOULD BE REQUIRED OF AN ORDINARY PRUDENT INVESTOR. THE CITY BELIEVES THAT IT IS HIGHLY UNLIKELY THAT IT WILL USE THE ASSETS TO SATISFY THE CLAIMS OF GENERAL CREDITORS IN THE FUTURE.

### **RISK MANAGEMENT**

THE CITY OF ELMA IS A MEMBER OF THE WASHINGTON CITIES INSURANCE AUTHORITY (WCIA).

UTILIZING CHAPTER 48.62 RCW (SELF-INSURANCE REGULATION) AND CHAPTER 39.34 RCW (INTERLOCAL COOPERATION ACT), NINE CITIES ORIGINALLY FORMED WCIA ON JANUARY 1, 1981. WCIA WAS CREATED FOR THE PURPOSE OF PROVIDING A POOLING MECHANISM FOR JOINTLY PURCHASING INSURANCE, JOINTLY SELF-INSURING, AND/OR JOINTLY CONTRACTING FOR RISK MANAGEMENT SERVICES. WCIA HAS A TOTAL OF 153 MEMBERS.

NEW MEMBERS INITIALLY CONTRACT FOR A THREE-YEAR TERM, AND THEREAFTER AUTOMATICALLY RENEW ON AN ANNUAL BASIS. A ONE-YEAR WITHDRAWAL NOTICE IS REQUIRED BEFORE MEMBERSHIP CAN BE



**TERMINATED. TERMINATION DOES NOT RELIEVE A FORMER MEMBER FROM ITS UNRESOLVED LOSS HISTORY INCURRED DURING MEMBERSHIP.**

**LIABILITY COVERAGE IS WRITTEN ON AN OCCURRENCE BASIS, WITHOUT DEDUCTIBLES. COVERAGE INCLUDES GENERAL, AUTOMOBILE, POLICE, PUBLIC OFFICIALS' ERRORS OR OMISSIONS, STOP GAP AND EMPLOYEE BENEFITS LIABILITY. LIMITS ARE \$4 MILLION PER OCCURRENCE SELF INSURED LAYER, AND \$16 MILLION PER OCCURRENCE IN THE RE-INSURED EXCESS LAYER. THE EXCESS LAYER IS INSURED BY THE PURCHASE OF REINSURANCE AND INSURANCE AND IS SUBJECT TO THE AGGREGATE LIMITS. TOTAL LIMITS ARE \$20 MILLION PER OCCURRENCE SUBJECT TO AGGREGATE SUBLIMITS IN THE EXCESS LAYERS. THE BOARD OF DIRECTORS DETERMINES THE LIMITS AND TERMS OF COVERAGE ANNUALLY.**

**INSURANCE COVERAGE FOR PROPERTY, AUTOMOBILE PHYSICAL DAMAGE, FIDELITY, INLAND MARINE, AND BOILER AND MACHINERY ARE PURCHASED ON A GROUP BASIS. VARIOUS DEDUCTIBLES APPLY BY TYPE OF COVERAGE. PROPERTY INSURANCE AND AUTO PHYSICAL DAMAGE ARE SELF-FUNDED FROM THE MEMBERS' DEDUCTIBLE TO \$750,000, FOR ALL PERILS OTHER THAN FLOOD AND EARTHQUAKE, AND INSURED ABOVE THAT AMOUNT BY THE PURCHASE OF INSURANCE.**

**IN-HOUSE SERVICES INCLUDE RISK MANAGEMENT CONSULTATION, LOSS CONTROL FIELD SERVICES, CLAIMS AND LITIGATION ADMINISTRATION, AND LOSS ANALYSES. WCIA CONTRACTS FOR THE CLAIMS INVESTIGATION CONSULTANTS FOR PERSONNEL ISSUES AND LAND USE PROBLEMS, INSURANCE BROKERAGE, AND LOBBYIST SERVICES.**

**WCIA IS FULLY FUNDED BY ITS MEMBERS, WHO MAKE ANNUAL ASSESSMENTS ON A PROSPECTIVELY RATED BASIS, AS DETERMINED BY AN OUTSIDE, INDEPENDENT ACTUARY. THE ASSESSMENT COVERS LOSS, LOSS ADJUSTMENT, AND ADMINISTRATIVE EXPENSES. AS OUTLINED IN THE INTERLOCAL, WCIA RETAINS THE RIGHT TO ADDITIONALLY ASSESS THE MEMBERSHIP FOR ANY FUNDING SHORTFALL.**

**AN INVESTMENT COMMITTEE, USING INVESTMENT BROKERS, PRODUCES ADDITIONAL REVENUE BY INVESTMENT OF WCIA'S ASSETS IN FINANCIAL INSTRUMENTS WHICH COMPLY WITH ALL STATE GUIDELINES. THESE REVENUES DIRECTLY OFFSET PORTIONS OF THE MEMBERSHIP'S ANNUAL ASSESSMENT.**

**A BOARD OF DIRECTORS GOVERNS WCIA, WHICH IS COMPRISED OF ONE DESIGNATED REPRESENTATIVE FROM EACH MEMBER. THE BOARD ELECTS AN EXECUTIVE COMMITTEE AND APPOINTS A TREASURER TO PROVIDE GENERAL POLICY DIRECTION FOR THE ORGANIZATION. THE WCIA EXECUTIVE DIRECTOR REPORTS TO THE EXECUTIVE COMMITTEE AND IS RESPONSIBLE FOR CONDUCTING THE DAY TO DAY OPERATIONS OF WCIA.**

CITY OF ELMA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE CITY OF ELMA WAS INCORPORATED IN 1889 AND OPERATES UNDER THE LAWS OF THE STATE OF WASHINGTON APPLICABLE TO A CITY GOVERNMENT. THE CITY IS A GENERAL PURPOSE LOCAL GOVERNMENT AND PROVIDES PUBLIC SAFETY, FIRE PREVENTION, HEALTH AND SOCIAL SERVICES, AND GENERAL ADMINISTRATIVE SERVICES.

THE 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 STATES AS SUPPLEMENTARY INFORMATION.
- SUPPLEMENTARY INFORMATION REQUIRED BY GAAP IS NOT PRESENTED.
- ENDING BALANCES ARE NOT PRESENTED USING THE CLASSIFICATIONS DEFINED IN GAAP.

A. FUND ACCOUNTING

FINANCIAL TRANSACTIONS OF THE GOVERNMENT ARE REPORTED IN INDIVIDUAL FUNDS. EACH FUND USES A SEPARATE SET OF SELF-BALANCING ACCOUNTS THAT COMPRISES ITS CASH AND INVESTMENTS, REVENUES AND EXPENDITURES. THE GOVERNMENT'S RESOURCES ARE ALLOCATED TO AND ACCOUNTED FOR IN INDIVIDUAL FUNDS DEPENDING ON THEIR INTENDED PURPOSE. EACH FUND IS REPORTED AS A SEPARATE COLUMN IN THE FINANCIAL STATEMENTS. THE FOLLOWING FUND TYPES ARE USED:

GOVERNMENTAL FUND TYPES: GENERAL FUND

THIS FUND IS THE PRIMARY OPERATING FUND OF THE CITY OF ELMA. 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 CITY OF ELMA.

DEBT SERVICE FUNDS

THESE FUNDS ACCOUNT FOR THE FINANCIAL RESOURCES THAT ARE RESTRICTED, COMMITTED OR ASSIGNED TO EXPENDITURES FOR PRINCIPAL, INTEREST AND RELATED COSTS ON GENERAL LONG-TERM DEBT.

CAPITAL PROJECTS FUND

THESE FUNDS ACCOUNT FOR FINANCIAL RESOURCES WHICH ARE RESTRICTED, COMMITTED, OR ASSIGNED FOR THE ACQUISITION OR CONSTRUCTION OF CAPITAL FACILITIES OR OTHER CAPITAL ASSETS.

PROPRIETARY FUND TYPES- ENTERPRISE FUNDS

THESE FUNDS ACCOUNT FOR OPERATIONS THAT PROVIDE GOODS OR SERVICES TO THE GENERAL PUBLIC AND ARE SUPPORTED PRIMARILY THROUGH USER CHARGES.

## FIDUCIARY FUND TYPE

FIDUCIARY FUNDS ACCOUNT FOR ASSETS HELD BY THE CITY OF ELMA IN A TRUSTEE CAPACITY OR AS AN AGENT ON BEHALF OF OTHERS.

### AGENCY FUNDS

THESE FUNDS ARE USED TO ACCOUNT ASSETS THAT CITY OF ELMA HOLDS FOR OTHERS IN A CUSTODIAL CAPACITY.

#### 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 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 ELMA ADOPTS ANNUAL APPROPRIATED BUDGETS FOR ALL FUNDS. THESE BUDGETS ARE APPROPRIATED AT THE FUND LEVEL (EXCEPT THE GENERAL (CURRENT EXPENSE) FUND, WHERE BUDGET IS ADOPTED AT THE DEPARTMENT LEVEL). THE BUDGET CONSTITUTES THE LEGAL AUTHORITY FOR EXPENDITURES AT THAT LEVEL. ANNUAL APPROPRIATIONS FOR THESE FUNDS LAPSE AT THE FISCAL YEAR END.

ANNUAL APPROPRIATED BUDGETS ARE ADOPTED ON THE SAME BASIS OF ACCOUNTING AS USED FOR FINANCIAL REPORTING.

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>			
510 Department	\$ 457,647	\$ 408,666	\$ 48,981
520 Department	\$ 1,299,632	\$ 1,166,117	\$ 133,515
530 Department	\$ 6,070	\$ 4,886	\$ 1,184
550- 560 Department	\$ 76,395	\$ 57,180	\$ 19,215
570-580 Department	\$ 104,432	\$ 88,730	\$ 15,702
<b>Total General Fund</b>	<b>\$ 1,944,176</b>	<b>\$ 1,725,579</b>	<b>\$ 218,597</b>
102 Fund	\$ 251,460	\$ 158,792	\$ 92,668
103 Fund	\$ 64,400	\$ 54,035	\$ 10,365
106 Fund	\$ 80,600	\$ 68,796	\$ 11,804
201 Fund	\$ 26,000	\$ -0-	\$ 26,000
302 Fund	\$ 48,900	\$ 48,187	\$ 713
401 Fund	\$ 2,751,751	\$ 1,773,810	\$ 977,941
407 Fund	\$ 202,680	\$ 199,840	2,840

### 3. AMENDING THE BUDGET

BUDGETED AMOUNTS ARE AUTHORIZED TO BE TRANSFERRED BETWEEN (DEPARTMENTS WITHIN ANY FUND/OBJECT CLASSES WITHIN DEPARTMENTS); HOWEVER, ANY REVISIONS THAT ALTER THE TOTAL EXPENDITURES OF A FUND, OR THAT AFFECT THE NUMBER OF AUTHORIZED EMPLOYEE POSITIONS, SALARY RANGES, HOURS, OR OTHER CONDITIONS OF EMPLOYMENT MUST BE APPROVED BY THE CITY COUNCIL.

D. CASH AND INVESTMENTS- SEE NOTE 2, INVESTMENTS

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. THE AMOUNT IS INCLUDED IN THE CASH AND INVESTMENTS SHOWN ON THE STATEMENTS OF FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS. THE INTEREST ON THESE INVESTMENTS IS PRORATED TO THE VARIOUS FUNDS WHEN THERE IS A BALANCE OF 1% OR MORE OF TOTAL INVESTED.

THE CITY HAS A REVOLVING PETTY CASH FUND SET UP IN CURRENT EXPENSE IN THE AMOUNT OF \$100.00. THE CLERK'S OFFICE HAS 3 CASH DRAWERS WITH \$50 SET UP IN WATER/SEWER, AND THE COURT CLERK HAS A CASH DRAWER WITH \$100 SET UP IN CURRENT EXPENSE FOR A TOTAL OF \$350.00. THIS AMOUNT IS INCLUDED IN THE C-4 BEGINNING FUND RESERVE BALANCES.

E. CAPITAL ASSETS

CAPITAL ASSETS ARE LONG-LIVED ASSETS OF THE CITY AND ARE RECORDED AS EXPENDITURES WHEN PURCHASED.

F. COMPENSATED ABSENCES

VACATION LEAVE MAY BE ACCUMULATED UP TO 25 DAYS FOR POLICE PER NFOP CONTRACT, AND UP TO 20 DAYS PER TEAMSTER'S CONTRACT AND IS PAYABLE UPON SEPARATION.

SICK LEAVE MAY BE ACCUMULATED WITH A MAXIMUM OF ONE THIRD (1/3) OF A TOTAL OF 960 BEING PAID UPON RETIREMENT.

G. LONG TERM DEBT - SEE NOTE 4 - DEBT SERVICES REQUIREMENTS

H. RISK MANAGEMENT -SEE OTHER DISCLOSURES - NOTE 6

# I. RESERVED PORTION OF ENDING CASH AND INVESTMENTS

BEGINNING AND ENDING CASH AND INVESTMENTS IS REPORTED AS RESERVED WHEN IT IS SUBJECT TO RESTRICTIONS ON USE IMPOSED BY EXTERNAL PARTIES OR DUE TO INTERNAL COMMITMENTS ESTABLISHED BY COUNCIL. WHEN EXPENDITURES THAT MEET RESTRICTIONS ARE INCURRED, THE CITY INTENDS TO USE RESERVED RESOURCES FIRST BEFORE USING UNRESERVED AMOUNTS.

## RESERVED FUND BALANCES

THE CITY OF ELMA BEGINNING AND ENDING RESERVE BALANCE FOR 401 ARE MONIES THAT ARE SET ASIDE TO PAY THE YEARLY PAYMENT TO PWTF FOR A LOAN WE TOOK OUT TO BUILD THE WASTEWATER TREATMENT PLANT.

FUND 302- REAL ESTATE EXCISE TAX - BEGINNING AND ENDING BALANCES ARE RESERVED BECAUSE OF RESTRICTIONS ON THE SPENDING OF REVENUES.

FUND 106- HOTEL/MOTEL TAX FUND - THIS FUND IS RESERVED DUE TO THE RESTRICTIONS ON THE SPENDING OF REVENUES.

## NOTE 2 - INVESTMENTS

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. THE INTEREST ON INVESTMENTS IS PRORATED TO THE VARIOUS FUNDS.

ALL DEPOSITIS AND CERTIFICATES OF DEPOSIT ARE COVERED BY (THE FEDERAL DEPOSIT INSURANCE CORPORATION AND/OR THE WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION). ALL INVESTMENTS ARE INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE GOVERNMENT'S NAME.

INVESTMENTS ARE REPORTED AT AMORTIZED COST. INVESTMENTS BY TYPE AT DECEMBER 31, 2015 ARE AS FOLLOWS:

<u>TYPE OF INVESTMENT</u>	<u>BALANCE</u>
LOCAL GOVERNMENT INVESTMENT POOL	\$1,345,668.40
TIMBERLAND (SAVINGS)	<u>406,777.52</u>



TOTAL

\$1,752,445.92

NOTE 3 - PROPERTY TAXES

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 CITY OF ELMA. DELINQUENT TAXES ARE CONSIDERED FULLY COLLECTIBLE BECAUSE A LIEN AFFIXES TO THE PROPERTY AFTER TAX IS LEVIED.

THE CITY'S REGULAR LEVY FOR THE YEAR 2015 WAS \$3.0421125 PER \$1,000 ON AN ASSESSED VALUATION OF \$198,680,683 FOR A TOTAL LEVY OF \$604,409.

NOTE 4 - DEBT SERVICE REQUIREMENTS

THE ACCOMPANYING SCHEDULE OF LIABILITIES (09) PROVIDES MORE DETAILS OF THE OUTSTANDING DEBT AND LIABILITIES OF THE CITY AND SUMMARIZES THE CITY'S DEBT TRANSACTIONS FOR YEAR ENDED DECEMBER 31, 2015.

THE DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS AND/OR REVENUE BONDS INCLUDING BOTH PRINCIPLE AND INTEREST, ARE AS FOLLOWS:

YEAR	PUB. WORKS TRUST FUND	REVENUE (WWTP) 2024	TOTAL DEBT
2016	19,675.18	134,451.94	154,127.12
2017	19,133.66	134,451.94	153,585.60
2018	18,592.03	134,451.94	153,043.97
2019	-0-	134,451.94	134,451.94
2020	-0-	134,451.94	134,451.94
2021-2024	-0-	470,581.73	470,581.73

TOTAL                                      \$ 57,400.87                      \$1,142,841.43                      \$1,200,242.30

NOTE 5 - PENSION PLANS

SUBSTANTIALLY ALL CITY'S FULL TIME AND QUALIFYING PART-TIME EMPLOYEES PARTICIPATE IN THE FOLLOWING STATEWIDE RETIREMENT SYSTEMS ADMISITERED BY THE WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS (DRS), UNDER COST-SHARING, MULTIPLE-EMPLOYER PUBLIC EMPLOYEE DEFINED BENEFIT AND DEFINED CONTRIBUTION RETIREMENT PLANS PERS AND LEOFF.

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 98504-8380

ALSO, THE DRS CAFR MAY BE DOWLOADED FROM THE DRS WEBSITE AT [WWW.DRS.WA.GOV](http://WWW.DRS.WA.GOV).

THE 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. DETAILED INFORMATION ABOUT THE PLAN IS INCLUDED IN THE STATE OF WASHINGTON CAFR AVAILABLE FROM THE OFFICE OF FINANCIAL MANAGEMENT WEBSITE AT [WWW.OFM.WA.GOV](http://WWW.OFM.WA.GOV).

AT JUNE 30, 2015 (THE MEASUREMENT DATE OF THE PLANS), THE CITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITIES, AS REPORTED ON THE SCHEDULE 09, WAS AS FOLLOWS:

	<u>ALLOCATION</u>	<u>LIABILITY</u>
PERS 1 UAAL	.005718%	\$299,104.58
PERS 2/3	.007387%	\$263,941.72
LEOFF 1	.002947%	-0-
LEOFF 2	.015838%	-0-

THE CITY OF ELMA HAS THREE RETIREES IN LEOFF PLAN 1 THE LEOFF PLAN 1 IS FULLY FUNDED AND NO FURTHER EMPLOYER CONTRIBUTIONS HAVE BEEN REQUIRED SINCE JUNE, 2000. IF THE PLAN BECOMES UNDERFUNDED, FUNDING OF THE REAMAINING LIABILITY WILL REQUIRE NEW LEGISLATION. STARTING ON JULY 1, 2000, EMPLOYERS AND EMPLOYEES CONTRIBUTE ZERO PERCENT.

THE CITY ALSO PARTICIPATES IN THE LEOFF PLAN 2. THE LEGISLATURE, BY MEANS OF A SPECIAL FUNDING ARRANGEMENT, APROPRIATES MONEY FROM THE STATE GENERAL FUND TO SUPPLEMENT THE CURRENT SERVICE LIABILITY AND FUND THE PRIOR SERVICE COSTS OF PLAN 2 IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE PENSION FUNDING COUNCIL AND THE LEOFF PLAN 2 RETIREMENT BOARD. THIS SPECIAL FUNDING SITUATION IN NOT MANDATED BY THE STATE CONSTITUTION AND COULD BE CHANGED BY STATUTE.

#### NOTE 6 - OTHER DISCLOSURES

##### DEFERRED COMPENSATION PLAN

THE CITY OF ELMA OFFERS ITS EMPLOYEES TWO DEFERRED COMPENSATION PLANS CREATED IN ACCORDANCE WITH INTERNAL REVENUE CODE SECTION 457. THESE PLANS ARE WITH PEBSCO (UNITED STATES CONFERENCE OF MAYORS DEFERRED COMPENSATION PROGRAM) AND THE STATE OF WASHINGTON COMMITTEE FOR DEFERRED COMPENSATION. THE PLAN IS AVAILABLE TO ELIGIBLE EMPLOYEES, AND PERMITS THEM TO DEFER A PORTION OF THEIR SALARY UNTIL FUTURE YEARS. THE DEFERRED COMPENSATION IS NOT AVAILABLE TO EMPLOYEES UNTIL TERMINATION, RETIREMENT, DEATH, OR UNFORESEEABLE EMERGENCY.

COMPENSATION DEFERRED UNDER THE PLAN AND ALL INCOME ATTRIBUTABLE TO THE PLANS IS SOLELY THE PROPERTY OF THE ELMA. THE CITY'S RIGHTS TO THIS PROPERTY ARE SUBJECT ONLY TO THE CLAIMS OF CITY'S GENERAL CREDITORS UNTIL PAID TO THE EMPLOYEE OR OTHER BENEFICIARY AND ARE NOT RESTRICTED TO THE BENEFIT PROVISIONS UNDER THESE PLANS.

IT IS THE OPINION OF THE CITY'S LEGAL COUNSEL THAT THE CITY HAS NO LIABILITY FOR LOSSES UNDER THE PLAN BUT DOES HAVE THE DUTY OF DUE CARE THAT WOULD BE REQUIRED OF AN ORDINARY PRUDENT INVESTOR. THE CITY BELIEVES THAT IT IS HIGHLY UNLIKELY THAT IT

WILL USE THE ASSETS TO SATISFY THE CLAIMS OF GENERAL CREDITORS IN THE FUTURE.

### RISK MANAGEMENT

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NEW MEMBERS INITIALLY CONTRACT FOR A THREE-YEAR TERM, AND THEREAFTER AUTOMATICALLY RENEW ON AN ANNUAL BASIS. A ONE-YEAR WITHDRAWAL NOTICE IS REQUIRED BEFORE MEMBERSHIP CAN BE TERMINATED. TERMINATION DOES NOT RELIEVE A FORMER MEMBER FROM ITS UNRESOLVED LOSS HISTORY INCURRED DURING MEMBERSHIP.

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INSURANCE COVERAGE FOR PROPERTY, AUTOMOBILE PHYSICAL DAMAGE, FIDELITY, INLAND MARINE, AND BOILER AND MACHINERY ARE PURCHASED ON A GROUP BASIS. VARIOUS DEDUCTIBLES APPLY BY TYPE OF COVERAGE. PROPERTY INSURANCE AND AUTO PHYSICAL DAMAGE ARE SELF-FUNDED FROM THE MEMBERS' DEDUCTIBLE TO \$750,000, FOR ALL PERILS OTHER THAN FLOOD AND EARTHQUAKE, AND INSURED ABOVE THAT AMOUNT BY THE PURCHASE OF INSURANCE.

IN-HOUSE SERVICES INCLUDE RISK MANAGEMENT CONSULTATION, LOSS CONTROL FIELD SERVICES, CLAIMS AND LITIGATION ADMINISTRATION, AND LOSS ANALYSES. WCIA CONTRACTS FOR THE CLAIMS INVESTIGATION CONSULTANTS FOR PERSONNEL ISSUES AND LAND USE PROBLEMS, INSURANCE BROKERAGE, AND LOBBYIST SERVICES.

WCIA IS FULLY FUNDED BY ITS MEMBERS, WHO MAKE ANNUAL ASSESSMENTS ON A PROSPECTIVELY RATED BASIS, AS DETERMINED BY AN OUTSIDE, INDEPENDENT ACTUARY. THE ASSESSMENT COVERS LOSS, LOSS ADJUSTMENT, AND ADMINISTRATIVE EXPENSES. AS OUTLINED IN THE INTERLOCAL, WCIA RETAINS THE RIGHT TO ADDITIONALLY ASSESS THE MEMBERSHIP FOR ANY FUNDING SHORTFALL.

AN INVESTMENT COMMITTEE, USING INVESTMENT BROKERS, PRODUCES ADDITIONAL REVENUE BY INVESTMENT OF WCIA'S ASSETS IN FINANCIAL INSTRUMENTS WHICH COMPLY WITH ALL STATE GUIDELINES. THESE REVENUES DIRECTLY OFFSET PORTIONS OF THE MEMBERSHIP'S ANNUAL ASSESSMENT.

A BOARD OF DIRECTORS GOVERNS WCIA, WHICH IS COMPRISED OF ONE DESIGNATED REPRESENTATIVE FROM EACH MEMBER. THE BOARD ELECTS AN EXECUTIVE COMMITTEE AND APPOINTS A TREASURER TO PROVIDE GENERAL POLICY DIRECTION FOR THE ORGANIZATION. THE WCIA EXECUTIVE DIRECTOR REPORTS TO THE EXECUTIVE COMMITTEE AND IS RESPONSIBLE FOR CONDUCTING THE DAY TO DAY OPERATIONS OF WCIA.

CITY OF ELMA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE CITY OF ELMA REPORTS FINANCIAL ACTIVITY USING THE REVENUE AND EXPENDITURE CLASSIFICATIONS, STATEMENTS AND SCHEDULES CONTAINED IN THE CASH BASIS BUDGETING, ACCOUNTING AND REPORTING SYSTEM (BARS) MANUAL. THIS BASIS OF ACCOUNTING AND REPORTING IS ANOTHER COMPREHENSIVE BASIS OF ACCOUNTING (OCBOA) THAT IS PRECIBED BY THE STATE AUDITOR'S OFFICE UNDER THE AUTHORITY OF WASHINGTON STATE LAW, CHAPTER 43.09 RCW.

THE CITY OF ELMA WAS INCORPORATED IN 1889 AND OPERATES UNDER THE LAWS OF THE STATE OF WASHINGTON APPLICABLE TO A CITY GOVERNMENT. THE CITY OF ELMA IS A GENERAL PURPOSE GOVERNMENT AND PROVIDES PUBLIC SAFETY, FIRE PREVENTION, HEALTH AND SOCIAL SERVICES, AND GENERAL ADMINISTRATIVE SERVICES. IN ADDITION, THE CITY OF ELMA USES SINGLE-ENTRY, CASH BASIS ACCOUNTING WHICH IS A DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP).

A. FUND ACCOUNTING

THE ACCOUNTS OF THE CITY OF ELMA ARE ORGANIZED ON THE BASIS OF FUNDS, EACH OF WHICH IS CONSIDERED A SEPARATE ACCOUNTING ENTITY. EACH FUND IS ACCOUNTED FOR WITH A SEPARATE SET OF SINGLE-ENTRY ACCOUNTS THAT COMPRISES ITS CASH, INVESTMENTS, REVENUES AND EXPENDITURES, AS APPROPRIATE.

THE CITY'S RESOURCES ARE ALLOCATED TO AND ACCOUNTED FOR IN THE CITY'S RESOURCES ARE ALLOCATED TO AND ACCOUNTED FOR IN INDIVIDUAL FUNDS DEPENDING ON THEIR INTENDED PURPOSE. THE FOLLARWING ARE THE FUND TYPES USED BY THE CITY:

GENERAL OR CURRENT EXPENSE FUND (FUND NUMBER 001)

THIS FUND IS THE PRIMARY OPERATING FUND OF THE CITY OF ELMA. 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 CITY OF ELMA.

DEBT SERVICE FUNDS

THESE FUNDS ACCOUNT FOR THE FINANCIAL RESOURCES THAT ARE RESTRICTED, COMMITTED OR ASSIGNED TO EXPENDITURES FOR PRINCIPAL, INTEREST AND RELATED COSTS ON GENERAL LONG-TERM DEBT.

### CAPITAL PROJECTS FUND

THESE FUNDS ACCOUNT FOR FINANCIAL RESOURCES WHICH ARE RESTRICTED, COMMITTED, OR ASSIGNED FOR THE ACQUISITION OR CONSTRUCTION OF CAPITAL FACILITIES OR OTHER CAPITAL ASSETS.

### PROPRIETARY FUND TYPES

#### ENTERPRISE FUNDS

THESE FUNDS ACCOUNT FOR OPERATIONS THAT PROVIDE GOODS OR SERVICES TO THE GENERAL PUBLIC AND ARE SUPPORTED PRIMARILY THROUGH USER CHARGES.

#### FIDUCIARY FUND TYPE

FIDUCIARY FUNDS ACCOUNT FOR ASSETS HELD BY THE CITY OF ELMA IN A TRUSTEE CAPACITY OR AS AN AGENT ON BEHALF OF OTHERS.

#### AGENCY FUNDS (FUNDS IN THE 600 SERIES)

THESE FUNDS ARE USED TO ACCOUNT ASSETS THAT CITY OF ELMA HOLDS FOR OTHERS IN AN AGENCY CAPACITY.

### B. BASIS OF ACCOUNTING

BASIS OF ACCOUNTING REFERS TO WHEN REVENUES AND EXPENDITURES ARE RECOGNIZED IN THE ACCOUNTS AND REPORTED IN THE FINANCIAL STATEMENTS. REVENUES ARE RECOGNIZED ONLY WHEN CASH IS RECEIVED AND EXPENDITURES ARE RECOGNIZED WHEN PAID, INCLUDING THOSE PROPERLY CHARGEABLE AGAINST THE REPORT YEAR BUDGET APPROPRIATIONS AS REQUIRED BY STATE LAW.

IN ACCORDANCE WITH STATE LAW THE CITY ALSO RECOGNIZES EXPENDITURES PAID DURING TWENTY DAYS AFTER THE CLOSE OF THE FISCAL YEAR FOR CLAIMS INCURRED DURING THE PREVIOUS PERIOD.

PURCHASES OF CAPITAL ASSETS ARE EXPENSED DURING THE YEAR OF ACQUISITION. THERE IS NO CAPITALIZATION OF CAPITAL ASSETS, NOR ALLOCATION OF DEPRECIATION EXPENSE. INVENTORY IS EXPENSED WHEN PURCHASED.

THE BASIS OF ACCOUNTING DESCRIBED ABOVE REPRESENTS A COMPREHENSIVE BASIS OF ACCOUNTING OTHER THAN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

### C. BUDGETS

**1. SCOPE OF BUDGET**

THE CITY OF ELMA ADOPTS ANNUAL APPROPRIATED BUDGETS FOR ALL FUNDS. THESE BUDGETS ARE APPROPRIATED AT THE FUND LEVEL (EXCEPT THE GENERAL (CURRENT EXPENSE) FUND, WHERE BUDGET IS ADOPTED AT THE DEPARTMENT 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/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
510 Department	\$ 451,547.00	\$ 383,195.70	\$ 68,351.30
520 Department	\$1,282,380.00	\$1,170,465.27	\$ 111,914.73
530 Department	\$ 8,450.00	\$ 5,745.08	\$ 2,704.92
550- 560 Department	\$ 47,524.00	\$ 46,669.04	\$ 854.96
570 Department	\$ 96,700.00	\$ 86,715.49	\$ 9,984.51
580 Non-Exp.	-0-	5,587.40	\$ -5,587.40
Total General Fund	\$1,886,601.00	\$1,698,377.98	\$ 188,223.02
102 Fund	\$ 188,100.00	\$ 159,828.03	\$ 28,271.97
103 Fund	\$ 58,200.00	\$ 50,458.35	\$ 7,741.65
106 Fund	\$ 97,600.00	\$ 74,541.85	\$ 23,058.15
201 Fund	\$ 25,500.00	\$ -0-	\$ 25,500.00
302 Fund	\$ 13,500.00	\$ 11,388.51	2,111.49
401 Fund	\$3,862,751.00	\$2,080,714.97	\$1,782,036.03
407 Fund	\$ 200,380.00	\$ 199,061.80	1,318.20



### 3. AMENDING THE BUDGET

BUDGETED AMOUNTS ARE AUTHORIZED TO BE TRANSFERRED BETWEEN (DEPARTMENTS WITHIN ANY FUND/OBJECT CLASSES WITHIN DEPARTMENTS); HOWEVER, ANY REVISIONS THAT ALTER THE TOTAL EXPENDITURES OF A FUND, OR THAT AFFECT THE NUMBER OF AUTHORIZED EMPLOYEE POSITIONS, SALARY RANGES, HOURS, OR OTHER CONDITIONS OF EMPLOYMENT MUST BE APPROVED BY THE CITY COUNCIL.

#### D. CASH

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. THE AMOUNT IS INCLUDED IN THE CASH AND INVESTMENTS SHOWN ON THE STATEMENTS OF FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS. THE INTEREST ON THESE INVESTMENTS IS PRORATED TO THE VARIOUS FUNDS WHEN THERE IS A BALANCE OF 1% OR MORE OF TOTAL INVESTED.

THE CITY HAS A REVOLVING PETTY CASH FUND SET UP IN CURRENT EXPENSE IN THE AMOUNT OF \$100.00. THE CLERK'S OFFICE HAS 3 CASH DRAWERS WITH \$50 SET UP IN WATER/SEWER, AND THE COURT CLERK HAS A CASH DRAWER WITH \$100 SET UP IN CURRENT EXPENSE FOR A TOTAL OF \$350.00. THIS AMOUNT IS INCLUDED IN THE C-4 BEGINNING FUND RESERVE BALANCES.

#### E. DEPOSITS

THE CITY DEPOSITS AND CERTIFICATES OF DEPOSIT ARE COVERED BY (THE FEDERAL DEPOSIT CORPORATION AND/OR THE WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION).

#### F. INVESTMENTS - SEE NOTE 2, INVESTMENTS

#### H. CAPITAL ASSETS

CAPITAL ASSETS ARE LONG-LIVED ASSETS OF THE CITY AND ARE RECORDED AS EXPENDITURES WHEN PURCHASED.

#### I. COMPENSATED ABSENCES

VACATION LEAVE MAY BE ACCUMULATED UP TO 25 DAYS FOR POLICE PER NFOP CONTRACT, AND UP TO 20 DAYS PER TEAMSTER CONTRACT AND IS PAYABLE UPON SEPARATION.

SICK LEAVE MAY BE ACCUMULATED WITH A MAXIMUM OF ONE THIRD (1/3) OF A TOTAL OF 960 BEING PAID UPON RETIREMENT.

PLEASE NOTE: A CORRECTION TO THE BEGINNING FUND BALANCE FOR COMPENSATED ABSENCES WAS DONE DUE TO REPORTING SICK LEAVE FOR ALL EMPLOYEES IN 2013. THE BEGINNING BALANCE IN 2014 IS THE

CORRECT LIABILITY.

J. LONG TERM DEBT - SEE NOTE 4 - DEBT SERVICES REQ.

K. OTHER FINANCING SOURCES OR USES

THE CITY USES THE CASH BASIS OF ACCOUNTING WHERE REVENUES ARE RECOGNIZED WHEN RECEIVED IN CASH, AND EXPENDITURES ARE RECOGNIZED WHEN PAID. THIS IS A DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES WHICH REQUIRE MODIFIED ACCRUAL REVENUE AND EXPENDITURE RECOGNITION IN GOVERNMENTAL FUNDS.

L. RISK MANAGEMENT - SEE OTHER DISCLOSURES - NOTE 6

M. RESERVED FUND BALANCE

THE CITY OF ELMA BEGINNING AND ENDING RESERVE BALANCE FOR 401 ARE MONIES THAT ARE SET ASIDE TO PAY THE YEARLY PAYMENT TO PWTF FOR A LOAN WE TOOK OUT TO BUILD THE WASTEWATER TREATMENT PLANT.

FUND 302 - REAL ESTATE EXCISE TAX - BEGINNING AND ENDING BALANCES ARE RESERVED BECAUSE OF RESTRICTIONS ON THE SPENDING OF REVENUES.

FUND 106 - HOTEL/MOTEL TAX - THIS FUND IS A RESERVED FUND BECAUSE OF RESTRICTIONS ON SPENDING OF REVENUES.

#### NOTE 2 - INVESTMENTS

THE CITY OF ELMA'S INVESTMENTS ARE EITHER INSURED, REGISTERED OR HELD BY CITY OF ELMA OR ITS AGENT IN THE CITY OF ELMA'S NAME.

INVESTMENTS BY TYPE AT DECEMBER 31, 2014 ARE AS FOLLOWS:

<u>TYPE OF INVESTMENT</u>	<u>BALANCE</u>
LOCAL GOVERNMENT INVESTMENT POOL	\$1,493,430.88
TIMBERLAND (SAVINGS)	<u>388,068.42</u>
TOTAL	<u>\$1,881,499.30</u>

#### NOTE 3 - PROPERTY TAXES

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 CITY OF ELMA. DELINQUENT TAXES ARE CONSIDERED FULLY COLLECTIBLE

BECAUSE A LIEN AFFIXES TO THE PROPERTY AFTER TAX IS LEVIED.

THE CITY'S REGULAR LEVY FOR THE YEAR 2014 WAS \$2.98 PER \$1,000 ON AN ASSESSED VALUATION OF \$198,200,894 FOR A TOTAL REGULAR LEVY OF \$591,230.

NOTE 4 - DEBT SERVICE REQUIREMENTS

THE ACCOMPANYING SCHEDULE OF LIABILITIES (09) PROVIDE MORE DETAILS OF THE OUTSTANDING DEBT AND LIABILITIES OF THE CITY AND SUMMARIZES THE CITY'S DEBT TRANSACTIONS FOR YEAR ENDED DECEMBER 31, 2014.

THE DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS AND/OR REVENUE BONDS INCLUDING BOTH PRINCIPLE AND INTEREST, ARE AS FOLLOWS:

YEAR	PUB.WORKS TRUST FUND	REVENUE WWTP) 2022	TOTAL DEBT
2015	20,216.69	134,451.94	154,668.63
2016	19,675.18	134,451.94	154,127.12
2017	19,133.66	134,451.94	153,585.60
2018	18,592.03	134,451.94	153,043.97
2019	-0-	134,451.94	134,451.94
2020-2024	-0-	605,033.67	605,033.67
TOTAL	\$77,617.56	\$1,277,293.37	\$1,354,910.93

NOTE 5- PENSION PLANS

SUBSTANTIALLY ALL CITY'S FULL TIME AND QUALIFYING PART-TIME EMPLOYEES PARTICIPATE IN PERS II, PERS III, OR LEOFF 2, ADMINISTERED BY THE WASHINGTON DEPARTMENT OF RETIREMENTS SYSTEMS, UNDER COST-SHARING MULTIPLE-EMPLOYER PUBLIC EMPLOYEE DEFINED BENEFIT AND DEFINED CONTRIBUTION RETIREMENT PLANS. ACTUARIAL INFORMATION IS ON A SYSTEM-WIDE BASIS AND IS NOT CONSIDERED PERTINENT TO THE CITY'S FINANCIAL STATEMENTS. CONTRIBUTIONS TO THE SYSTEMS BY BOTH EMPLOYEE AND EMPLOYER ARE BASED UPON GROSS WAGES COVERED BY PLAN BENEFITS.

HISTORICAL TREND OR OTHER INFORMATION REGARDING EACH PLAN IS PRESENTED IN THE WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS ANNUAL FINANCIAL REPORT. A COPY OF THIS REPORT MAY BE OBTAINED BY WRITING TO:

DEPARTMENT OF RETIREMENT SYSTEMS  
COMMUNICATIONS UNIT

P.O. BOX 48380  
OLYMPIA, WA 98504-8380

NOTE 6 - OTHER DISCLOSURES

DEFERRED COMPENSATION PLAN

THE CITY OF ELMA OFFERS ITS EMPLOYEES TWO DEFERRED COMPENSATION PLANS CREATED IN ACCORDANCE WITH INTERNAL REVENUE CODE SECTION 457. THESE PLANS ARE WITH PEBS CO (UNITED STATES CONFERENCE OF MAYORS DEFERRED COMPENSATION PROGRAM) AND THE STATE OF WASHINGTON COMMITTEE FOR DEFERRED COMPENSATION. THE PLAN IS AVAILABLE TO ELIGIBLE EMPLOYEES, AND PERMITS THEM TO DEFER A PORTION OF THEIR SALARY UNTIL FUTURE YEARS. THE DEFERRED COMPENSATION IS NOT AVAILABLE TO EMPLOYEES UNTIL TERMINATION, RETIREMENT, DEATH, OR UNFORESEEABLE EMERGENCY.

COMPENSATION DEFERRED UNDER THE PLAN AND ALL INCOME ATTRIBUTABLE TO THE PLANS IS SOLELY THE PROPERTY OF THE CITY OF ELMA. THE CITY'S RIGHTS TO THIS PROPERTY ARE SUBJECT ONLY TO THE CLAIMS OF CITY'S GENERAL CREDITORS UNTIL PAID TO THE EMPLOYEE OR OTHER BENEFICIARY AND ARE NOT RESTRICTED TO THE BENEFIT PROVISIONS UNDER THESE PLANS.

IT IS THE OPINION OF THE CITY'S LEGAL COUNSEL THAT THE CITY HAS NO LIABILITY FOR LOSSES UNDER THE PLAN BUT DOES HAVE THE DUTY OF DUE CARE THAT WOULD BE REQUIRED OF AN ORDINARY PRUDENT INVESTOR. THE CITY BELIEVES THAT IT IS HIGHLY UNLIKELY THAT IT WILL USE THE ASSETS TO SATISFY THE CLAIMS OF GENERAL CREDITORS IN THE FUTURE.

RISK MANAGEMENT

THE CITY OF ELMA IS A MEMBER OF THE WASHINGTON CITIES INSURANCE AUTHORITY (WCIA).

UTILIZING CHAPTER 48.62 RCW (SELF-INSURANCE REGULATION) AND CHAPTER 39.34 RCW (INTERLOCAL COOPERATION ACT), NINE CITIES ORIGINALLY FORMED WCIA ON JANUARY 1, 1981. WCIA WAS CREATED FOR THE PURPOSE OF PROVIDING A POOLING MECHANISM FOR JOINTLY PURCHASING INSURANCE, JOINTLY SELF-INSURING, AND/OR JOINTLY CONTRACTING FOR RISK MANAGEMENT SERVICES. WCIA HAS A TOTAL OF 153 MEMBERS.

NEW MEMBERS INITIALLY CONTRACT FOR A THREE-YEAR TERM, AND THEREAFTER AUTOMATICALLY RENEW ON AN ANNUAL BASIS. A ONE-YEAR WITHDRAWAL NOTICE IS REQUIRED BEFORE MEMBERSHIP CAN BE TERMINATED. TERMINATION DOES NOT RELIEVE A FORMER MEMBER FROM ITS UNRESOLVED LOSS HISTORY INCURRED DURING MEMBERSHIP.

LIABILITY COVERAGE IS WRITTEN ON AN OCCURRENCE BASIS, WITHOUT DEDUCTIBLES. COVERAGE INCLUDES GENERAL, AUTOMOBILE,

POLICE, PUBLIC OFFICIALS' ERRORS OR OMISSIONS, STOP GAP AND EMPLOYEE BENEFITS LIABILITY. LIMITS ARE \$4 MILLION PER OCCURRENCE SELF INSURED LAYER, AND \$16 MILLION PER OCCURRENCE IN THE RE-INSURED EXCESS LAYER. THE EXCESS LAYER IS INSURED BY THE PURCHASE OF REINSURANCE AND INSURANCE AND IS SUBJECT TO THE AGGREGATE LIMITS. TOTAL LIMITS ARE \$20 MILLION PER OCCURRENCE SUBJECT TO AGGREGATE SUBLIMITS IN THE EXCESS LAYERS. THE BOARD OF DIRECTORS DETERMINES THE LIMITS AND TERMS OF COVERAGE ANNUALLY.

INSURANCE COVERAGE FOR PROPERTY, AUTOMOBILE PHYSICAL DAMAGE, FIDELITY, INLAND MARINE, AND BOILER AND MACHINERY ARE PURCHASED ON A GROUP BASIS. VARIOUS DEDUCTIBLES APPLY BY TYPE OF COVERAGE. PROPERTY INSURANCE AND AUTO PHYSICAL DAMAGE ARE SELF-FUNDED FROM THE MEMBERS' DEDUCTIBLE TO \$750,000, FOR ALL PERILS OTHER THAN FLOOD AND EARTHQUAKE, AND INSURED ABOVE THAT AMOUNT BY THE PURCHASE OF INSURANCE.

IN-HOUSE SERVICES INCLUDE RISK MANAGEMENT CONSULTATION, LOSS CONTROL FIELD SERVICES, CLAIMS AND LITIGATION ADMINISTRATION, AND LOSS ANALYSES. WCIA CONTRACTS FOR THE CLAIMS INVESTIGATION CONSULTANTS FOR PERSONNEL ISSUES AND LAND USE PROBLEMS, INSURANCE BROKERAGE, AND LOBBYIST SERVICES.

WCIA IS FULLY FUNDED BY ITS MEMBERS, WHO MAKE ANNUAL ASSESSMENTS ON A PROSPECTIVELY RATED BASIS, AS DETERMINED BY AN OUTSIDE, INDEPENDENT ACTUARY. THE ASSESSMENT COVERS LOSS, LOSS ADJUSTMENT, AND ADMINISTRATIVE EXPENSES. AS OUTLINED IN THE

INTERLOCAL, WCIA RETAINS THE RIGHT TO ADDITIONALLY ASSESS THE MEMBERSHIP FOR ANY FUNDING SHORTFALL.

AN INVESTMENT COMMITTEE, USING INVESTMENT BROKERS, PRODUCES ADDITIONAL REVENUE BY INVESTMENT OF WCIA'S ASSETS IN FINANCIAL INSTRUMENTS WHICH COMPLY WITH ALL STATE GUIDELINES. THESE REVENUES DIRECTLY OFFSET PORTIONS OF THE MEMBERSHIP'S ANNUAL ASSESSMENT.

A BOARD OF DIRECTORS GOVERNS WCIA, WHICH IS COMPRISED OF ONE DESIGNATED REPRESENTATIVE FROM EACH MEMBER. THE BOARD ELECTS AN EXECUTIVE COMMITTEE AND APPOINTS A TREASURER TO PROVIDE GENERAL POLICY DIRECTION FOR THE ORGANIZATION. THE WCIA EXECUTIVE DIRECTOR REPORTS TO THE EXECUTIVE COMMITTEE AND IS RESPONSIBLE FOR CONDUCTING THE DAY TO DAY OPERATIONS OF WCIA.

#### CONTINGENCIES AND LITIGATION

THE CITY PARTICIPATES IN A NUMBER OF FEDERAL- AND STATE-ASSISTED PROGRAMS. THESE GRANTS ARE SUBJECT TO AUDIT BY THE GRANTORS OR THEIR REPRESENTATIVES. SUCH AUDITS COULD RESULT

IN REQUESTS FOR REIMBURSEMENT TO GRANTOR AGENCIES FOR EXPENDITURES DISALLOWED UNDER THE TERMS OF THE GRANTS. OTHER THAN THE INSTANCES DESCRIBED ABOVE, CITY MANAGEMENT BELIEVES THAT SUCH DISALLOWANCES, IF ANY, WILL BE IMMATERIAL.

THE CITY RECEIVED SEVERAL CLAIMS IN 2013 TOTALING \$4,229,675. THESE CLAIMS WERE STATED IN SCHEDULE 9 UNDER CLAIMS & JUDGEMENTS, BUT WERE REMOVED BECAUSE THEY ARE COVERED UNDER WASHINGTON CITIES INSURANCE AUTHORITY.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	PWTF-W/S Loan	7/1/2018	54,151	-	18,050	36,101
252.11	DOE-Sewer Plant Loan	10/31/2022	1,142,841	-	134,452	1,008,389
259.12	Compensated Absences	12/31/2016	84,256	9,182	-	93,438
264.30	Net Pension Liability	12/31/2016	563,046	95,056	-	658,102
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,844,294</b>	<b>104,238</b>	<b>152,502</b>	<b>1,796,030</b>
<b>Total Liabilities:</b>			<b>1,844,294</b>	<b>104,238</b>	<b>152,502</b>	<b>1,796,030</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	PWTF-W/S Loan	7/1/2018	72,201	-	18,050	54,151
252.11	DOE-Sewer Plant Loan	10/31/2022	1,277,293	-	134,452	1,142,841
259.12	Compensated Absences	12/31/2015	83,933	323	-	84,256
264.30	Net Pension Liability	12/31/2015	-	563,046	-	563,046
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,433,427</b>	<b>563,369</b>	<b>152,502</b>	<b>1,844,294</b>
<b>Total Liabilities:</b>			<b>1,433,427</b>	<b>563,369</b>	<b>152,502</b>	<b>1,844,294</b>



**City of Elma  
Schedule of Liabilities  
For the Year Ended December 31, 2014**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2014	78,770	5,163	-	83,933
263.82	PWTF-W/S Loan	7/1/2018	90,252	-	18,051	72,201
252.11	DOE-Sewer Plant Loan	10/31/2022	1,411,745	-	134,452	1,277,293
263.12	Claims & Judgements	12/31/2014	60,000	-	60,000	-
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,640,767</b>	<b>5,163</b>	<b>212,503</b>	<b>1,433,427</b>
<b>Total Liabilities:</b>			<b>1,640,767</b>	<b>5,163</b>	<b>212,503</b>	<b>1,433,427</b>

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>