



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Davenport

Lincoln County

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

Published April 19, 2018

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Office of the Washington State Auditor
Pat McCarthy

April 19, 2018

Mayor and City Council
City of Davenport
Davenport, Washington

Report on Financial Statements

Please find attached our report on the City of Davenport'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

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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 Davenport
Lincoln County
January 1, 2014 through December 31, 2016**

Mayor and City Council
City of Davenport
Davenport, 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 Davenport, Lincoln 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 February 12, 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy

State Auditor

Olympia, WA

February 12, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Davenport Lincoln County January 1, 2014 through December 31, 2016

Mayor and City Council
City of Davenport
Davenport, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Davenport, Lincoln 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 Davenport 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 Davenport, 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 Davenport, 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 February 12, 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

February 12, 2018

FINANCIAL SECTION

**City of Davenport
Lincoln County
January 1, 2014 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
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Schedule of Liabilities – 2015
Schedule of Liabilities – 2014

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

		Total for All Funds (Memo Only)	001 Current Expense	103 Street
Beginning Cash and Investments				
30810	Reserved	149,148	20,000	-
30880	Unreserved	1,593,863	226,095	46,736
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	710,685	677,814	-
320	Licenses and Permits	31,235	31,235	-
330	Intergovernmental Revenues	473,409	69,738	188,922
340	Charges for Goods and Services	1,208,745	88,429	150
350	Fines and Penalties	18,272	394	-
360	Miscellaneous Revenues	53,286	28,839	1,560
Total Revenues:		2,495,631	896,449	190,632
Expenditures				
510	General Government	75,423	75,423	-
520	Public Safety	330,980	330,980	-
530	Utilities	986,135	41,516	-
540	Transportation	179,676	27,530	152,146
550	Natural and Economic Environment	46,013	41,697	-
560	Social Services	1,334	1,334	-
570	Culture and Recreation	161,587	140,301	-
Total Expenditures:		1,781,149	658,781	152,146
Excess (Deficiency) Revenues over Expenditures:		714,484	237,668	38,486
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	246,000	25,000	135,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	23,614	20,195	562
381, 395, 398	Other Resources	1,325	1,305	20
Total Other Increases in Fund Resources:		270,938	46,499	135,582
Other Decreases in Fund Resources				
594-595	Capital Expenditures	668,891	43,298	153,903
591-593, 599	Debt Service	111,575	-	-
597	Transfers-Out	246,000	221,000	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	1,356	1,356	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		1,027,822	265,654	153,903
Increase (Decrease) in Cash and Investments:		(42,399)	18,514	20,165
Ending Cash and Investments				
5081000	Reserved	134,781	25,000	-
5088000	Unreserved	1,565,830	239,608	66,901
Total Ending Cash and Investments		1,700,611	264,608	66,901

The accompanying notes are an integral part of this statement.

104 Vandalism Reward Fund	110 Tourism	112 Criminal Justice	209 Park Bond Reserve	305 Street Equipment Reserve	306 Airport Capital Improvement
487	38,849	89,272	539	-	-
-	-	-	-	57,498	85,135
-	-	-	-	-	-
-	4,023	17,266	-	-	-
-	-	-	-	-	-
-	-	5,829	-	-	208,919
-	-	-	-	-	-
-	-	-	-	-	-
2	101	-	-	236	385
2	4,124	23,094	-	236	209,304
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,316	-	-	-	-
-	-	-	-	-	-
-	21,286	-	-	-	-
-	25,601	-	-	-	-
2	(21,478)	23,095	-	236	209,304
-	-	-	-	-	-
-	-	-	54,000	5,000	20,000
-	-	-	-	-	-
-	2,295	-	-	-	-
-	-	-	-	-	-
-	2,295	-	54,000	5,000	20,000
-	-	-	-	2,611	215,876
-	-	-	52,281	-	-
-	-	25,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	25,000	52,281	2,611	215,876
2	(19,183)	(1,905)	1,719	2,625	13,428
489	19,667	87,367	2,258	-	-
-	-	-	-	60,122	98,563
489	19,667	87,367	2,258	60,122	98,563

307 Fire Equipment Reserve	308 Cemetery Reserve	309 General Capital Improvement	401 Water	403 Sewer	405 Garbage
-	-	-	-	-	-
63,935	62,694	42,049	382,132	568,588	59,003
-	-	-	-	-	-
-	-	11,582	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	425,894	392,812	301,460
-	-	-	1,478	-	16,400
262	231	142	2,058	19,210	260
<u>262</u>	<u>231</u>	<u>11,724</u>	<u>429,430</u>	<u>412,022</u>	<u>318,119</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	8,870	-	331,015	290,961	313,774
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,870	-	331,015	290,961	313,774
<u>262</u>	<u>(8,639)</u>	<u>11,724</u>	<u>98,415</u>	<u>121,061</u>	<u>4,346</u>
-	-	-	-	-	-
2,000	-	5,000	-	-	-
-	-	-	-	-	-
-	-	-	34	-	528
-	-	-	-	-	-
<u>2,000</u>	<u>-</u>	<u>5,000</u>	<u>34</u>	<u>-</u>	<u>528</u>
2,151	4,163	22,130	148,762	75,998	-
-	-	-	-	59,293	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,151</u>	<u>4,163</u>	<u>22,130</u>	<u>148,762</u>	<u>135,291</u>	<u>-</u>
111	(12,802)	(5,406)	(50,313)	(14,230)	4,874
-	-	-	-	-	-
64,047	49,892	36,643	331,819	554,358	63,876
64,047	49,892	36,643	331,819	554,358	63,876

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

		Total for All Funds (Memo Only)	001 Current Expense	103 Street	104 Vandalism Reward Fund
Beginning Cash and Investments					
30810	Reserved	131,215	15,000	-	486
30880	Unreserved	1,421,676	231,664	51,123	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	700,069	667,261	-	-
320	Licenses and Permits	17,087	17,087	-	-
330	Intergovernmental Revenues	263,178	56,426	138,078	-
340	Charges for Goods and Services	1,196,792	99,896	-	-
350	Fines and Penalties	17,382	362	-	-
360	Miscellaneous Revenues	30,803	21,844	76	1
Total Operating Revenues:		2,225,310	862,876	138,154	1
Operating Expenditures					
510	General Government	78,372	78,372	-	-
520	Public Safety	329,238	329,238	-	-
530	Utilities	955,102	35,113	-	-
540	Transportation	183,921	24,468	159,453	-
550	Natural and Economic Environment	26,385	23,296	-	-
560	Social Services	387	387	-	-
570	Culture and Recreation	137,155	131,854	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		1,710,559	622,727	159,453	-
Net Operating Increase (Decrease):		514,750	240,148	(21,299)	1
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	6,779	5,567	887	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	240,500	25,000	130,000	-
Total Nonoperating Revenues:		247,279	30,567	130,887	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	941	941	-	-
591-593	Debt Service	112,254	-	-	-
594-595	Capital Expenditures	218,215	54,845	113,975	-
597	Transfers-Out	240,500	215,500	-	-
Total Nonoperating Expenditures:		571,910	271,286	113,975	-
Net Increase (Decrease) in Cash and Investments:		190,119	(571)	(4,387)	1
Ending Cash and Investments					
5081000	Reserved	149,148	20,000	-	487
5088000	Unreserved	1,593,863	226,095	46,736	-
Total Ending Cash and Investments		1,743,011	246,095	46,736	487

The accompanying notes are an integral part of this statement.

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

		110 Tourism	112 Criminal Justice	209 Park Bond Reserve	305 Street Equipment Reserve
Beginning Cash and Investments					
30810	Reserved	25,186	90,543	-	-
30880	Unreserved	-	-	-	53,522
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	7,016	17,970	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	15,000	5,759	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	37	-	-	84
Total Operating Revenues:		22,053	23,730	-	84
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	3,089	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	5,301	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		8,390	-	-	-
Net Operating Increase (Decrease):		13,663	23,730	-	84
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	53,500	5,000
Total Nonoperating Revenues:		-	-	53,500	5,000
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	52,961	-
594-595	Capital Expenditures	-	-	-	1,109
597	Transfers-Out	-	25,000	-	-
Total Nonoperating Expenditures:		-	25,000	52,961	1,109
Net Increase (Decrease) in Cash and Investments:		13,663	(1,270)	539	3,975
Ending Cash and Investments					
5081000	Reserved	38,849	89,272	539	-
5088000	Unreserved	-	-	-	57,498
Total Ending Cash and Investments		38,849	89,272	539	57,498

The accompanying notes are an integral part of this statement.

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

		306 Airport Capital Improvement	307 Fire Equipment Reserve	308 Cemetery Reserve	309 General Capital Improvement
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	55,398	61,838	62,772	39,287
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	-	-	7,821
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	21,000	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	95	97	97	61
Total Operating Revenues:		21,095	97	97	7,882
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	500	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		-	-	500	-
Net Operating Increase (Decrease):		21,095	97	(403)	7,882
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	325	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	20,000	2,000	-	5,000
Total Nonoperating Revenues:		20,000	2,000	325	5,000
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	11,358	-	-	10,120
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		11,358	-	-	10,120
Net Increase (Decrease) in Cash and Investments:		29,737	2,097	(78)	2,762
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	85,135	63,935	62,694	42,049
Total Ending Cash and Investments		85,135	63,935	62,694	42,049

The accompanying notes are an integral part of this statement.

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

		<u>401 Water</u>	<u>403 Sewer</u>	<u>405 Garbage</u>
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	305,421	516,159	44,493
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	25,000	1,914	-
340	Charges for Goods and Services	418,266	386,170	292,460
350	Fines and Penalties	2,252	-	14,768
360	Miscellaneous Revenues	534	7,796	81
Total Operating Revenues:		<u>446,052</u>	<u>395,880</u>	<u>307,308</u>
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	351,690	276,311	291,488
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>351,690</u>	<u>276,311</u>	<u>291,488</u>
Net Operating Increase (Decrease):		<u>94,362</u>	<u>119,569</u>	<u>15,820</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	59,293	-
594-595	Capital Expenditures	17,651	7,848	1,310
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		<u>17,651</u>	<u>67,141</u>	<u>1,310</u>
Net Increase (Decrease) in Cash and Investments:		<u>76,711</u>	<u>52,428</u>	<u>14,510</u>
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	382,132	568,588	59,003
Total Ending Cash and Investments		<u>382,132</u>	<u>568,588</u>	<u>59,003</u>

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense	103 Street	104 Vandalism Reward Fund
Beginning Cash and Investments					
30810	Reserved	112,859	-	-	486
30880	Unreserved	1,396,954	207,179	44,876	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	677,114	642,476	-	-
320	Licenses and Permits	24,015	24,015	-	-
330	Intergovernmental Revenues	194,007	47,559	101,485	-
340	Charges for Goods and Services	1,159,138	99,710	-	-
350	Fines and Penalties	19,273	469	-	-
360	Miscellaneous Revenues	30,605	21,712	59	0
Total Operating Revenues:		2,104,152	835,940	101,544	0
Operating Expenditures					
510	General Government	85,183	85,183	-	-
520	Public Safety	329,217	329,217	-	-
530	Utilities	944,680	39,397	-	-
540	Transportation	200,619	39,082	161,537	-
550	Natural and Economic Environment	35,438	32,527	-	-
560	Social Services	2,467	2,467	-	-
570	Culture and Recreation	135,521	135,521	-	-
Total Operating Expenditures:		1,733,126	663,394	161,537	-
Net Operating Increase (Decrease):		371,027	172,546	(59,993)	0
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	77,917	73,652	4,263	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	177,500	25,000	130,000	-
Total Nonoperating Revenues:		255,417	98,652	134,263	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	1,268	1,268	-	-
591-593	Debt Service	113,973	54,680	-	-
594-595	Capital Expenditures	290,624	23,266	68,023	-
597	Transfers-Out	177,500	152,500	-	-
Total Nonoperating Expenditures:		583,365	231,714	68,023	-
Net Increase (Decrease) in Cash and Investments:		43,079	39,484	6,247	0
Ending Cash and Investments					
5081000	Reserved	131,215	15,000	-	486
5088000	Unreserved	1,421,676	231,664	51,123	-
Total Ending Cash and Investments		1,552,891	246,664	51,123	486

The accompanying notes are an integral part of this statement.

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

		110 Tourism	112 Criminal Justice	305 Street Equipment Reserve	306 Airport Capital Improvement
Beginning Cash and Investments					
30810	Reserved	21,154	91,219	-	-
30880	Unreserved	-	-	55,151	62,688
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	6,921	18,578	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	5,746	-	19,217
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	22	-	51	62
Total Operating Revenues:		6,943	24,324	51	19,279
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	2,911	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Operating Expenditures:		2,911	-	-	-
Net Operating Increase (Decrease):		4,032	24,324	51	19,279
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	5,000	10,000
Total Nonoperating Revenues:		-	-	5,000	10,000
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	-	-	6,680	36,569
597	Transfers-Out	-	25,000	-	-
Total Nonoperating Expenditures:		-	25,000	6,680	36,569
Net Increase (Decrease) in Cash and Investments:		4,032	(676)	(1,629)	(7,290)
Ending Cash and Investments					
5081000	Reserved	25,186	90,543	-	-
5088000	Unreserved	-	-	53,522	55,398
Total Ending Cash and Investments		25,186	90,543	53,522	55,398

The accompanying notes are an integral part of this statement.

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

		307 Fire Equipment Reserve	308 Cemetery Reserve	309 General Capital Improvement	401 Water
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	59,279	72,572	45,179	301,753
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	-	9,140	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	20,000	-
340	Charges for Goods and Services	-	-	-	406,319
350	Fines and Penalties	-	-	-	3,274
360	Miscellaneous Revenues	59	67	45	1,058
Total Operating Revenues:		59	67	29,185	410,650
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	333,636
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Operating Expenditures:		-	-	-	333,636
Net Operating Increase (Decrease):		59	67	29,185	77,014
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	2,500	-	5,000	-
Total Nonoperating Revenues:		2,500	-	5,000	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	-	9,867	40,078	73,346
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		-	9,867	40,078	73,346
Net Increase (Decrease) in Cash and Investments:		2,559	(9,800)	(5,893)	3,668
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	61,838	62,772	39,287	305,421
Total Ending Cash and Investments		61,838	62,772	39,287	305,421

The accompanying notes are an integral part of this statement.

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

		<u>403 Sewer</u>	<u>405 Garbage</u>
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	512,679	35,598
388 & 588	Prior Period Adjustments, Net	-	-
Operating Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	370,474	282,635
350	Fines and Penalties	-	15,530
360	Miscellaneous Revenues	7,431	39
	Total Operating Revenues:	<u>377,905</u>	<u>298,204</u>
Operating Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	282,336	289,312
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
	Total Operating Expenditures:	<u>282,336</u>	<u>289,312</u>
	Net Operating Increase (Decrease):	<u>95,569</u>	<u>8,892</u>
Nonoperating Revenues			
370-380, 395 & 398	Other Financing Sources	-	3
391-393	Debt Proceeds	-	-
397	Transfers-In	-	-
	Total Nonoperating Revenues:	<u>-</u>	<u>3</u>
Nonoperating Expenditures			
580, 596 & 599	Other Financing Uses	-	-
591-593	Debt Service	59,293	-
594-595	Capital Expenditures	32,796	-
597	Transfers-Out	-	-
	Total Nonoperating Expenditures:	<u>92,089</u>	<u>-</u>
	Net Increase (Decrease) in Cash and Investments:	<u>3,480</u>	<u>8,895</u>
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	516,159	44,493
	Total Ending Cash and Investments	<u>516,159</u>	<u>44,493</u>

The accompanying notes are an integral part of this statement.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

January 1, 2016 through December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Davenport was incorporated in 1890 and operates under the laws of the state of Washington applicable to a second class city utilizing a Mayor-Council form of government. The City of Davenport is a general purpose government and provides public safety, fire prevention, street improvements, cemetery services, parks, and general administrative services. In addition the City owns and operates a water/sewer system. Davenport contracts for law enforcement with the Lincoln County Sheriff's office. Garbage service is contracted with Sunshine Disposal and Recycling. Billing for utility services is performed by the City finance department. The City of Davenport uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Davenport 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 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 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 presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the City of Davenport are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash, investments, revenues and expenditures. The City of Davenport'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 by the City of Davenport:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Davenport. 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 Davenport.

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 Funds

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

PROPRIETARY FUND TYPES:

A. Enterprise Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Budgets

The City of Davenport adopts annual appropriated budgets for Special Revenue, Debt Service, Capital Project, and Enterprise 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:

<u>Fund/Department</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenses</u>	<u>Variance</u>
001 - Current Expense	\$ 897,150.00	\$ 882,738.23	\$ 14,411.77
Employment Reserve (003)	\$ 10,000.00	\$ 0.00	\$ 10,000.00
Park Reserve (009)	\$ 35,000.00	\$ 34,830.35	\$ 169.65
Swimming Pool Reserve (100)	\$ 7,500.00	\$ 0.00	\$ 7,500.00
Library (101)	\$ 39,025.00	\$ 34,167.53	\$ 4,857.47
Cemetery (102)	\$ 36,075.00	\$ 35,168.91	\$ 906.09
Airport (111)	\$ 34,135.00	\$ 27,530.08	\$ 6,604.92
TOTAL CURRENT EXPENSE	\$ 1,058,885.00	\$ 1,014,435.10	\$ 44,449.90

103 - Street	\$ 333,450.00	\$ 306,048.74	\$ 27,401.26
104 - Vandalism Reward Fund	\$ 250.00	\$ 0.00	\$ 250.00
110 - Tourism	\$ 25,800.00	\$ 25,601.49	\$ 198.51
112 - Criminal Justice	\$ 25,000.00	\$ 25,000.00	\$ 0.00
209- Park Bond Reserve	\$ 52,600.00	\$ 52,281.26	\$ 318.74
305 - Street Equipment Reserve	\$ 30,000.00	\$ 2,610.94	\$ 27,389.06
306 - Airport Capital Improvement	\$ 280,000.00	\$ 215,875.96	\$ 64,124.04
307 - Fire Equipment Reserve	\$ 5,000.00	\$ 2,150.56	\$ 2,849.44
308 - Cemetery Reserve	\$ 15,000.00	\$ 13,033.07	\$ 1,966.93
309 - General Capital Improvement	\$ 24,000.00	\$ 22,130.26	\$ 1,869.74
TOTAL MISCELLANEOUS	\$ 791,100.00	\$ 664,732.28	\$ 126,367.72
401 - Water	\$ 418,550.00	\$ 406,015.28	\$ 12,534.72
Water Capital Improvement	\$ 225,000.00	\$ 148,761.79	\$ 76,238.21
TOTAL WATER	\$ 643,550.00	\$ 554,777.07	\$ 88,772.93
403 - Sewer	\$ 410,100.00	\$ 381,472.27	\$ 28,627.73
Sewer Equipment Reserve	\$ 50,000.00	\$ 0.00	\$ 50,000.00
Sewer Loan Reserve	\$ 0.00	\$ 0.00	\$ 0.00
Sewer Capital Improvement	\$ 225,000.00	\$ 74,779.83	\$ 150,220.17
TOTAL SEWER	\$ 685,100.00	\$ 456,252.10	\$ 228,847.90
405 - Garbage	\$ 329,950.00	\$ 313,773.80	\$ 16,176.20

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 of Davenport's legislative body.

D. Cash and Investments: See Note 3 – *Deposits and Investments*

E. Capital Assets:

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 10 years. The capital assets and inventory of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours at any given time and is payable 100% upon separation or retirement.

Sick leave may be accumulated up to 960 hours at any given time during the year. Upon separation or retirement employees do receive payment for 50% of unused sick leave after five (5) years of employment. Once a year qualified employees can sell back up to 80 hours of unused sick leave for cash. Payments are recognized as expenditures when paid.

G. Long-Term Debt: See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses:

The City of Davenport's "*Other Financing Sources or Uses*" consist of transfers in and out between funds, bond proceeds, debt service payments and other capital expenditures.

I. Risk Management:

The City of Davenport 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 Inter-local Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Inter-local 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 excess coverage for its members; Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts are included to fit member's 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-insurance 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 and 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 pool for a minimum of one year, and must give notice before December 1, to terminate 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, which has been contracted to perform program administration, claims adjustment, administration, 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.

The City of Davenport is self-insured, for unemployment compensation. The unemployment contribution fund was established in 2005. The State of Washington Employment Security Department administers claims and bills the City for any claims. As per Schedule 21, the City had claims totaling \$0 for the 2016 year.

J. Reserved Portion of Ending Cash and Investments

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

Fund 001, Current Expense has a balance of \$25,000 and this amount is reserved for employment expenses realized upon termination of employees for compensated absences such as sick leave vacation buy outs.

Fund 104, Vandalism Reward Fund has a balance of \$489.22 and is reserved for Vandalism rewards. This fund is used to reward individuals for information leading to the arrest and/or conviction of vandalizing public property.

Fund 110, Tourism Fund has an ending balance of \$19,666.86 and is reserved for Tourism promotion. This fund supports the community float by paying insurance (\$600) to represent the City during local community parades. Also this fund provides resources needed to staff a seasonal part-time person (\$2,400) at the Visitor's Center located at the Lincoln County Museum. A 4th of July event in 2016 put on by the Venturing Scouts at a cost of \$6,785.73 for celebration support. A grant from the Lincoln County Economic Development Council awarded a pass-through grant to the City for the local gun club in the amount of \$14,500.

Fund 112, Criminal Justice Fund has an ending balance of \$87,366.84 and is reserved for Criminal Justice uses. These resources come from the state remittance and are used for special law enforcement duties. A portion of these funds are transferred to Current Expense to assist in the payment of the law enforcement contract with Lincoln County Sheriff's office which performs these specific functions.

Fund 209, Park Bond Fund has an unused balance of \$2,258 and is reserved to pay unforeseen costs associated with the 20 year Sports Complex bond taken out to facilitate the construction of the Sports Complex.

NOTE 2 – PROPERTY TAX

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

Property tax revenues are recognized when cash is received by the City. 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 \$3.33885 per \$1,000 on an assessed valuation of \$76,916,386 for a total regular levy of \$255,249.

NOTE 3 – DEPOSITS and INVESTMENTS

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

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

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

<u>Type of Investment</u>	<u>City's Own</u>	<u>Investments held</u>	<u>Total</u>
L.G.I.P.	\$ 1,438,778.35	\$ 0.00	\$ 1,438,778.35
TOTAL	\$ 1,438,778.35	\$ 0.00	\$ 1,438,778.35

NOTE 4 – DEBT SERVICE REQUIREMENTS

Debt Service

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

The debt service payments for general obligation bonds, revenue bonds and other loans are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 82,486.43	\$ 33,150.65	\$ 115,637.08
2018	\$ 83,276.69	\$ 31,235.39	\$ 114,512.08
2019	\$ 84,078.82	\$ 29,308.26	\$ 113,387.08
2020	\$ 84,893.05	\$ 27,369.03	\$ 112,262.08
2021	\$ 90,719.55	\$ 25,417.53	\$ 116,137.08
2022-2026	\$ 346,410.44	\$ 77,935.68	\$ 424,346.12
<u>2027-2031</u>	<u>\$ 185,000.00</u>	<u>\$ 33,500.00</u>	<u>\$ 218,500.00</u>
TOTALS	\$ 956,864.98	\$ 257,916.54	\$ 1,214,781.52

NOTE 5 - INTERFUND LOANS

There was no inter-fund loan activity during 2016.

NOTE 6 - PENSION PLANS

Substantially all City 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; Public Employees Retirement System PERS 1 pension plan, Public Employees Retirement System PERS 2 pension plan.

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 (CADE) 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
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at 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.

At June 30, 2016 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	.003597	\$ 193,176
PERS 2	.004615	\$ 232,362
VFFRPF	.29	(\$ 31,626)

NOTE 7 – OTHER DISCLOSURES

No other disclosures are pertinent at this time.

NOTE 8 – FEDERAL DISCLOSURES

1. The City received an FAA grant for Environmental Assessment in 2015 and the project has carried over through 2016 and into the 1st qtr of 2017. Expenditures for 2016 were \$186,153.61

3. Federal Highway grant was issued through the local DOT Local Programs for bridge scour repair originating in 2015 and final payment in 2016 for a total expenditures of \$105,606.67.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

January 1, 2015 through December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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 Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Davenport also recognizes expenditures paid during the twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The City of Davenport adopts annual appropriated budgets for Special Revenue, Debt Service, Capital Project, and Enterprise 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 annual 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 EXPENSES	VARIANCE
001 – Current Expense	\$ 867,800.00	\$ 838,542.84	\$ 29,257.16
Employment Reserve (003)	\$ 10,000.00	\$ 0.00	\$ 10,000.00
Park Reserve (009)	\$ 57,000.00	\$ 55,339.44	\$ 1,660.56
Swimming Pool Reserve (100)	\$ 7,500.00	\$ 0.00	\$ 7,500.00
Library (101)	\$ 33,552.00	\$ 28,586.65	\$ 4,965.35
Cemetery (102)	\$ 34,850.00	\$ 27,075.85	\$ 7,774.15
Airport (111)	\$ 39,435.00	\$ 24,467.77	\$ 14,967.23
TOTAL GENERAL FUND	\$ 1,050,137.00	\$ 974,012.55	\$ 76,124.45
103 - Street	\$ 400,400.00	\$ 273,427.86	\$ 126,972.14
104 - Vandalism Reward Fund	\$ 250.00	\$ 0.00	\$ 250.00
110 - Tourism	\$ 8,650.00	\$ 8,389.91	\$ 260.09
112 - Criminal Justice	\$ 25,000.00	\$ 25,000.00	\$ 0.00
209 – Park Bond Reserve	\$ 53,000.00	\$ 52,960.87	\$ 39.13
305 - Street Equipment Reserve (105)	\$ 30,000.00	\$ 1,108.79	\$ 28,891.21
306 - Airport Capital Imp. (106)	\$ 150,000.00	\$ 11,358.00	\$ 138,642.00
307 - Fire Equipment Reserve (107)	\$ 5,000.00	\$ 0.00	\$ 5,000.00
308 - Cemetery Reserve (108)	\$ 15,000.00	\$ 500.00	\$ 14,500.00
309 - General Capital Imp. (109)	\$ 19,000.00	\$ 10,119.76	\$ 8,880.24
TOTAL MISCELLANEOUS	\$ 706,300.00	\$ 382,865.19	\$ 323,434.81
401 - Water	\$ 445,250.00	\$ 430,735.62	\$ 14,514.38
Water Capital Imp. (409)	\$ 225,000.00	\$ 13,605.40	\$ 211,394.60
TOTAL WATER	\$ 670,250.00	\$ 444,341.02	\$ 225,908.98
403 - Sewer	\$ 405,200.00	\$ 370,103.92	\$ 35,096.08
Sewer Equipment Reserve (407)	\$ 50,000.00	\$ 500.00	\$ 49,500.00
Sewer Loan Reserve (408)	\$ 0.00	\$ 0.00	\$ 0.00
Sewer Capital Imp. (410)	\$ 225,000.00	\$ 2,848.00	\$ 222,152.00
TOTAL SEWER	\$ 680,200.00	\$ 373,451.92	\$ 306,748.08
405 - Garbage	\$ 294,950.00	\$ 292,798.55	\$ 2,151.45

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 of Davenport's legislative body.

D. Cash and Investments: See Note 3 – *Deposits and Investments*

E. Capital Assets:

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 10 years. The capital assets and inventory of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours at any given time and is payable 100% upon separation or retirement.

Sick leave may be accumulated up to 960 hours at any given time during the year. Upon separation or retirement employees do receive payment for 50% of unused sick leave after five (5) years of employment. Once a year qualified employees can sell back up to 80 hours of unused sick leave for cash. Payments are recognized as expenditures when paid.

G. Long-Term Debt: See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses:

The City of Davenport's "*Other Financing Sources or Uses*" consist of transfers in and out between funds, bond proceeds, debt service payments and other capital expenditures.

I. Risk Management:

The City of Davenport 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 Inter-local Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Inter-local 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 excess coverage for its members; Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts are included to fit member's 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-insurance 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 and 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 pool for a minimum of one year, and must give notice before December 1, to terminate 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 Canfield, which has been contracted to perform program administration, claims adjustment, administration, 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.

The City of Davenport is self-insured, for unemployment compensation. The unemployment contribution fund was established in 2005. The State of Washington Employment Security Department administers claims and bills the City for any claims. As per Schedule 21, the City had claims totaling \$0 for the 2015 year.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on its use imposed by external parties or due to internal commitments

established by agreement. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Fund 001, Current Expense has a balance of \$20,000 and this amount is reserved for employment expenses realized upon termination of employees for compensated absences such as sick leave and vacation buy outs.

Fund 104, Vandalism Reward Fund has a balance of \$487 and is reserved for Vandalism rewards. This fund is used to reward individuals for information leading to the arrest and/or conviction of vandalizing public property.

Fund 110, Tourism Fund has a balance of \$38,849.48 and is reserved for Tourism promotion. This fund supports the community float by paying insurance to represent the City during local community parades. Also this fund provides resources needed to staff a part-time person at the visitor's center located at the local museum. A 4th of July event put on by the Venturing Scouts at a cost of \$5,300 for celebration support.

Fund 112, Criminal Justice Fund has a balance of \$89,272.40 and is reserved for Criminal Justice uses. These resources come from the state remittance and are used for special law enforcement duties. These funds are transferred to Current Expense to assist in the payment of the law enforcement contract which performs these specific functions.

Fund 209, Park Bond Fund has an unused balance of \$539 and is reserved to pay unforeseen costs associated with the 20 year Sports Complex bond taken out to facilitate the construction of the Sports Complex.

NOTE 2 – PROPERTY TAX

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

Property tax revenues are recognized when cash is received by the City. 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 \$3.33885 per \$1,000 on an assessed valuation of \$74,880,474 for a total regular levy of \$250,015.

NOTE 3 – DEPOSITS AND INVESTMENTS

It is the 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 deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington State Deposit Protection Commission). All investments are insured, registered or held by the City or its agent in the government's name.

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

<u>Type of Investment</u>	<u>City's Own</u>	<u>Investments held</u>	<u>Total</u>
L.G.I.P.	\$ 1,432,130.20	\$ 0.00	\$ 1,432,130.20
<i>TOTAL</i>	<i>\$ <u>1,432,130.20</u></i>	<i>\$ <u>0.00</u></i>	<i>\$ <u>1,432,130.20</u></i>

NOTE 4 – DEBT SERVICE REQUIREMENTS

Debt Service

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

The debt service payments for general obligation bonds, revenue bonds and other loans are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 76,707.92	\$ 34,866.66	\$ 111,574.58
2017	\$ 82,486.43	\$ 33,150.65	\$ 115,637.08
2018	\$ 83,276.69	\$ 31,235.39	\$ 114,512.08
2019	\$ 84,078.82	\$ 29,308.26	\$ 113,387.08
2020	\$ 84,893.05	\$ 27,369.03	\$ 112,262.08
2021-2025	\$ 424,955.95	\$ 103,216.08	\$ 528,172.03
2026-2030	\$ 237,174.04	\$ 47,387.13	\$ 284,561.17
<u>2031</u>	<u>\$ 50,000.00</u>	<u>\$ 2,500.00</u>	<u>\$ 52,500.00</u>
<i>TOTALS</i>	<i>\$ <u>1,123,572.90</u></i>	<i>\$ <u>309,033.20</u></i>	<i>\$ <u>1,432,606.10</u></i>

NOTE 5 - INTERFUND LOANS

There was no inter-fund loan activity during 2015.

NOTE 6 – PENSION PLANS

Substantially all City 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; Public Employees Retirement System PERS 1 pension plan, Public Employees Retirement System PERS 2 pension plan.

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 (CADE) 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
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at 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.

At June 30, 2015 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	.003648	\$ 190,824
PERS 2	.004716	\$ 168,505
VFFRPF	.14	\$(26,369)

NOTE 7 – OTHER DISCLOSURES

No other disclosures are pertinent at this time.

NOTE 8 – FEDERAL DISCLOSURES

1. A Department of Health grant was approved for \$25,000 to study the feasibility of a new city well and storage system. Funds were expended on the grant in 2015.
2. Department of Transportation awarded the city a grant to rehabilitate three bridges in town for a total of \$201,000. Construction began and finished in 2015. Only engineering was paid in 2015 for a total of \$36,379.81. Final contractor payment and paperwork to be completed in 2016.
3. Federal Aviation Administration (FAA) awarded a planning grant for \$300,000. 2015 saw engineering costs of \$27,072.78.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

January 1, 2014 through December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Davenport 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 prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Davenport was incorporated in 1890 and operates under the laws of the state of Washington applicable to a second class city utilizing a Mayor-Council form of government. The City of Davenport is a general purpose government and provides public safety, fire prevention, street improvements, cemetery services, parks, and general administrative services. In addition the City owns and operates a water/sewer system. Davenport contracts for law enforcement with the Lincoln County Sheriff's office. Garbage service is contracted with Sunshine Disposal and Recycling. Billing for utility services is performed by the City finance department. The City of Davenport 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 Davenport 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 of Davenport's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Davenport:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Davenport. 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 Davenport.

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 Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

B. Basis of Accounting and Measurement Focus

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(s) 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

The City of Davenport adopts annual appropriated budgets for General Fund, Special Revenue, Debt Service, Capital Project, and Enterprise 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 annual 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:

<u>Fund/Department</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenses</u>	<u>Variance</u>
001 - Current Expense	\$ 882,550.00	\$ 870,132.93	\$ 12,417.07
Employment Reserve (003)	\$ 15,000.00	\$ 0.00	\$ 15,000.00
Park Reserve (009)	\$ 27,000.00	\$ 13,895.00	\$ 13,105.00
Swimming Pool Reserve (100)	\$ 10,000.00	\$ 3,677.50	\$ 6,322.50
Library (101)	\$ 31,087.00	\$ 29,241.38	\$ 380.60
Cemetery (102)	\$ 35,800.00	\$ 30,578.43	\$ 5,221.57
Airport (111)	\$ 40,950.00	\$ 39,082.29	\$ 1,867.71
TOTAL CURRENT EXPENSE	\$ 1,048,387.00	\$ 986,607.53	\$ 61,779.47
103 - Street	\$ 393,950.00	\$ 229,559.49	\$ 164,390.51
104 - Vandalism Reward Fund	\$ 250.00	\$ 0.00	\$ 250.00
110 - Tourism	\$ 3,650.00	\$ 2,911.00	\$ 739.00
112 - Criminal Justice	\$ 25,000.00	\$ 25,000.00	\$ 0.00
305 - Street Equipment Reserve	\$ 30,000.00	\$ 6,680.18	\$ 23,319.82
306 - Airport Capital Improvement	\$ 50,000.00	\$ 36,569.11	\$ 13,430.89
307 - Fire Equipment Reserve	\$ 5,000.00	\$ 0.00	\$ 5,000.00
308 - Cemetery Reserve	\$ 40,000.00	\$ 9,867.36	\$ 30,132.64
309 - General Capital Improvement	\$ 64,000.00	\$ 40,077.51	\$ 23,922.49
TOTAL MISCELLANEOUS	\$ 611,850.00	\$ 350,664.65	\$ 261,185.35
401 - Water	\$ 423,050.00	\$ 408,636.06	\$ 14,413.94
Water Capital Improvement	\$ 270,000.00	\$ 73,346.04	\$ 196,653.96
TOTAL WATER	\$ 693,050.00	\$ 481,982.10	\$ 211,067.90
403 - Sewer	\$ 400,050.00	\$ 358,965.59	\$ 41,084.41
Sewer Equipment Reserve	\$ 100,000.00	\$ 9,867.34	\$ 90,132.66
Sewer Loan Reserve	\$ 70,000.00	\$ 0.00	\$ 70,000.00
Sewer Capital Improvement	\$ 235,000.00	\$ 35,597.71	\$ 199,402.29
TOTAL SEWER	\$ 805,050.00	\$ 404,430.64	\$ 400,619.36
405 - Garbage	\$ 290,600.00	\$ 289,311.72	\$ 1,228.28

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 of Davenport's legislative body.

D. Cash and Investments:

See Note 3 – Deposits and Investments

- E. Capital Assets: Capital assets are assets with an initial individual cost of more than \$250 and an estimated useful life in excess of 10 years. The capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 260 hours at any given time and is payable 100% upon separation or retirement.

Sick leave may be accumulated up to 960 hours at any given time during the year. Upon separation or retirement employees do receive payment for 50% of unused sick leave after five (5) years of employment. Once a year qualified employees can sell back up to 80 hours of unused sick leave for cash. Payments are recognized as expenditures when paid.

G. Long-Term Debt:

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses:

The City of Davenport's "*Other Financing Sources or Uses*" consist of transfers in and out between funds, bond proceeds, debt service payments and other capital expenditures.

I. Risk Management:

The City of Davenport 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 Inter-local Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2014, there are 223 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members; Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts are included to fit member's various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for the first \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insurance 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 with an attachment point of \$3,259,396 to cap the total claims paid by the pool in any one year.

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 and 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 pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Governmental 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. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1 to December 1st beginning with the 2014-15 policy term. An endorsement was added to the 2013-14 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, which has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014, were \$1,817,654.59.

The City of Davenport is self-insured, for unemployment compensation. The unemployment contribution fund was established in 2005. The State of Washington Employment Security Department administers claims and bills the City for any claims. As per Schedule 21, the City had claims totaling \$0 for the 2014 year.

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

Fund 001, Current Expense has a balance of \$15,000 and this amount is reserved for employment expenses realized upon termination of employees for compensated absences such as sick leave and vacation buy outs.

Fund 104, Vandalism Reward Fund has a balance of \$486 and is reserved for Vandalism rewards. This fund is used to reward individuals for information leading to the arrest and/or conviction of vandalizing public property.

Fund 110, Tourism Fund has a balance of \$25,185.91 and is reserved for Tourism promotion. This fund supports the community float by paying insurance to represent the City during local community parades. Also this fund provides resources needed to staff a part-time person at the visitor's center located at the local museum.

Fund 112, Criminal Justice Fund has a balance of \$90,542.63 and is reserved for Criminal Justice uses. These resources come from the state remittance and are used for special law enforcement duties. These funds are transferred to Current Expense to assist in the payment of the law enforcement contract which performs these specific functions.

NOTE 2 – PROPERTY TAX

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

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

The City's regular levy for the year 2014 was \$3.33885 per \$1,000 on an assessed valuation of \$74,688,011 for a total regular levy of \$249,372.

NOTE 3 – DEPOSITS AND INVESTMENTS

It is the 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 deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington State Deposit Protection Commission). All investments are insured, registered or held by the City or its agent in the government's name.

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

<u>Type of Investment</u>	<u>City's Own</u>	<u>Investments held</u>	<u>Total</u>
L.G.I.P.	\$ 1,429,780.50	\$ 0.00	\$ 1,429,780.50
<i>TOTAL</i>	<i>\$ 1,429,780.50</i>	<i>\$ 0.00</i>	<i>\$ 1,429,780.50</i>

NOTE 4 – DEBT SERVICE REQUIREMENTS

Compensated Absences will always be different from the ending balance on December 31 and the beginning balance noted on January 1 due to the fact that any COLA adjustment takes place on Jan 1 and therefore the automatic increase in payroll costs are reflected the first day of the new fiscal year making the two figures not tie. The City chose to modify Schedule 09 to reflect the ending balance as of 12/31 so that the two figures tie together. The City showed the income taxes paid on the Compensated Absences but showed them separately from the ending balance of the benefit so the ending balance will carry over to the beginning balance of the next year without being included with the tax portion that isn't carried over as an accumulative balance.

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Davenport and summarizes the City's debt transactions for year ended December 31, 2014. The debt service payments for the fiscal year being reported and future payment requirements, including both principal and interest, are as follows:

<u>Years</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Loans</u>	<u>Total Debt</u>
2015	\$ 52,906.26	0	\$ 59,293.32	\$ 112,199.08
2016	\$ 52,281.26	0	\$ 59,293.32	\$ 111,574.58
2017	\$ 56,343.76	0	\$ 59,293.32	\$ 115,637.08
2018	\$ 55,218.76	0	\$ 59,293.32	\$ 114,512.08
2019	\$ 54,093.76	0	\$ 59,293.32	\$ 113,387.08
2020-2024	\$ 276,156.28	0	\$ 296,466.60	\$ 572,622.73
2025-2029	\$ 272,750.00	0	\$ 24,622.55	\$ 297,372.55
2030-2031	\$ 107,500.00	0	\$ 0.00	\$ 107,500.00
TOTALS	\$ 927,250.08	\$ 0	\$ 617,555.60	\$ 1,544,805.68

NOTE 5 - INTERFUND LOANS and ADVANCES

There was no inter-fund loan activity during 2014.

NOTE 6 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in the Public Employees Retirement System PERS 2 pension plan administered by the Washington State Department of Retirement 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
PO Box 48380
Olympia, WA 98504-8380

NOTE 7 – OTHER DISCLOSURES

1. A Department of Health grant was approved for \$25,000 to study the feasibility of a new city well and storage system. No funds were expended on the grant in 2014.
2. The WSDOT bridge repair grant is a pass-through grant by Federal Highway Administration DOT for expenditures totaling \$35,041.83 of a total project cost of approximately \$202,000. Only planning and design took place on the project in 2014.
3. The FAA wind study grant was finalized and had expenditures of \$36,569.11

City of Davenport
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	Sports Complex GO bonds	12/1/2031	605,000	-	25,000	580,000
Total General Obligation Debt/Liabilities:			605,000	0	25,000	580,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	DOE- Wastewater Rehab Loan	10/1/2024	394,159	-	41,223	352,936
263.82	DOE-Sewer Screen	9/17/2026	124,413	-	10,484	113,929
264.30	Pension Liabilities		359,330	66,208	-	425,538
259.12	Compensated Absences		79,150	2,038	-	81,188
Total Revenue and Other (non G.O.) Debt/Liabilities:			957,052	68,246	51,707	973,591
Total Liabilities:			1,562,052	68,246	76,707	1,553,591

City of Davenport
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	Sports Complex Bond	12/1/2031	630,000	-	25,000	605,000
Total General Obligation Debt/Liabilities:			630,000	0	25,000	605,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences-All		75,918	3,232	-	79,150
263.82	DOE Wastewater Rehab	10/1/2024	434,771	-	40,612	394,159
263.82	DOE Sewer Screen Load	9/17/2026	134,743	-	10,329	124,414
264.30	Pension Liabilities			359,330	-	359,330
Total Revenue and Other (non G.O.) Debt/Liabilities:			645,432	362,562	50,941	957,053
Total Liabilities:			1,275,432	362,562	75,941	1,562,053

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Sports Complex Bond	12/1/2031	655,000	-	25,000	630,000
Total General Obligation Debt/Liabilities:			655,000	-	25,000	630,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences-Proprietary		79,116		3,198	75,918
263.82	Wastewater Rehabilitation	10/1/2024	474,781	-	40,010	434,771
263.82	DOE-Sewer Screen	9/17/2026	144,918	-	10,176	134,743
Total Revenue and Other (non G.O.) Debt/Liabilities:			698,815	-	53,383	645,432
Total Liabilities:			1,353,815	-	78,383	1,275,432

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