



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

**Financial Statements Audit Report**  
**City of Fircrest**

**For the period January 1, 2015 through December 31, 2017**

**Published December 13, 2018**

**Report No. 1022753**





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

December 13, 2018

Mayor and City Council  
City of Fircrest  
Fircrest, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	51

**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 Fircrest  
January 1, 2015 through December 31, 2017**

Mayor and City Council  
City of Fircrest  
Fircrest, 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 Fircrest, as of and for the years ended December 31, 2017, 2016, and 2015 and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 3, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

December 3, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Fircrest January 1, 2015 through December 31, 2017

Mayor and City Council  
City of Fircrest  
Fircrest, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Fircrest, for the years ended December 31, 2017, 2016, and 2015 and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

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

#### Auditor's Responsibility

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

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

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Fircrest 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 Fircrest, for the years ended December 31, 2017, 2016, and 2015 on the basis of accounting described in Note 1.

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

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



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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Fircrest, as of December 31, 2017, 2016 and 2015, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

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

Our audits were conducted 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 December 3, 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.

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

December 3, 2018

## **FINANCIAL SECTION**

### **City of Fircrest January 1, 2015 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017  
Fund Resources and Uses Arising from Cash Transactions – 2016  
Fund Resources and Uses Arising from Cash Transactions – 2015  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2017  
Notes to Financial Statements – 2016  
Notes to Financial Statements – 2015

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2017  
Schedule of Liabilities – 2016  
Schedule of Liabilities – 2015

**City of Fircrest**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>105 Police Investigation Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	7,767,500	1,409,978	11,479
30880	Unreserved	5,810,293	1,962,828	-
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	3,468,170	3,214,867	-
320	Licenses and Permits	491,192	491,192	-
330	Intergovernmental Revenues	976,919	940,868	-
340	Charges for Goods and Services	4,218,216	200,541	-
350	Fines and Penalties	212,887	212,463	424
360	Miscellaneous Revenues	387,785	222,553	56
Total Revenues:		9,755,169	5,282,484	480
<b>Expenditures</b>				
510	General Government	1,128,393	1,128,393	-
520	Public Safety	2,125,923	2,125,891	33
530	Utilities	3,160,780	-	-
540	Transportation	476,011	465,991	-
550	Natural and Economic Environment	87,042	86,421	-
560	Social Services	1,761	1,761	-
570	Culture and Recreation	684,565	684,565	-
Total Expenditures:		7,664,476	4,493,022	33
Excess (Deficiency) Revenues over Expenditures:		2,090,694	789,462	448
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	205,592	148,842	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	11,925	11,925	-
381, 395, 398	Other Resources	19,954	18,846	-
Total Other Increases in Fund Resources:		237,471	179,613	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	1,408,858	761,351	-
591-593, 599	Debt Service	366,790	-	-
597	Transfers-Out	205,592	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	13,592	13,592	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		1,994,832	774,943	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>333,333</b>	<b>194,132</b>	<b>448</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	7,669,421	1,348,753	11,927
5088000	Unreserved	6,241,706	2,218,186	-
<b>Total Ending Cash and Investments</b>		<b>13,911,127</b>	<b>3,566,939</b>	<b>11,927</b>

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

<b>150 Cumulative Reserve Fund</b>	<b>310 Reet</b>	<b>415 Storm Drain</b>	<b>425 Water Fund (department)</b>	<b>430 Sewer Fund (department)</b>	<b>501 Equipment Rental Fund</b>
3,530,763	1,296,849	-	-	-	1,518,430
-	-	608,842	816,484	2,422,140	-
-	-	-	-	-	-
-	253,303	-	-	-	-
-	-	-	-	-	-
-	-	19,210	16,840	-	-
-	-	431,320	977,156	2,420,350	188,849
-	-	-	-	-	-
-	6,229	3,058	84,050	26,348	45,491
-	259,532	453,589	1,078,046	2,446,699	234,340
-	-	-	-	-	-
-	-	-	-	-	-
-	-	393,303	938,519	1,828,958	-
-	-	-	-	-	10,020
-	-	-	621	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	393,303	939,141	1,828,958	10,020
-	259,532	60,285	138,906	617,740	224,320
-	-	-	-	-	-
-	-	-	-	56,750	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,108
-	-	-	-	56,750	1,108
-	-	34,461	130,723	165,652	316,671
-	-	-	50,851	315,940	-
-	205,592	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	205,592	34,461	181,574	481,592	316,671
-	<b>53,940</b>	<b>25,824</b>	<b>(42,668)</b>	<b>192,898</b>	<b>(91,243)</b>
3,530,763	1,350,790	-	-	-	1,427,188
-	-	634,667	773,815	2,615,038	-
<b>3,530,763</b>	<b>1,350,790</b>	<b>634,667</b>	<b>773,815</b>	<b>2,615,038</b>	<b>1,427,188</b>

**City of Fircrest**  
**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 General Fund</b>	<b>105 Police Investigation Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	7,881,880	1,593,306	11,450
30880	Unreserved	4,749,305	1,796,750	-
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	3,420,989	3,202,324	-
320	Licenses and Permits	481,942	481,942	-
330	Intergovernmental Revenues	475,990	445,200	-
340	Charges for Goods and Services	3,654,822	165,769	-
350	Fines and Penalties	174,174	174,174	-
360	Miscellaneous Revenues	334,910	189,173	29
Total Revenues:		8,542,827	4,658,581	29
<b>Expenditures</b>				
510	General Government	1,068,917	1,068,917	-
520	Public Safety	2,136,502	2,136,502	-
530	Utilities	2,750,827	-	-
540	Transportation	412,097	400,089	-
550	Natural and Economic Environment	90,830	90,621	-
560	Social Services	1,750	1,750	-
570	Culture and Recreation	635,840	635,840	-
Total Expenditures:		7,096,763	4,333,719	-
Excess (Deficiency) Revenues over Expenditures:		1,446,064	324,863	29
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	1,003,476	-	-
397	Transfers-In	82,958	30,994	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	9,093	9,093	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		1,095,526	40,087	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	1,190,696	290,042	-
591-593, 599	Debt Service	229,171	-	-
597	Transfers-Out	82,958	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	92,156	92,156	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		1,594,982	382,198	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>946,610</b>	<b>(17,248)</b>	<b>29</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	7,767,500	1,409,978	11,479
5088000	Unreserved	5,810,293	1,962,828	-
<b>Total Ending Cash and Investments</b>		<b>13,577,793</b>	<b>3,372,806</b>	<b>11,479</b>

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

<b>150 Cumulative Reserve Fund</b>	<b>310 Reet</b>	<b>415 Storm Drain</b>	<b>425 Water Fund (department)</b>	<b>430 Sewer Fund (department)</b>	<b>501 Equipment Rental Fund</b>
3,530,763	1,157,986	-	-	-	1,588,375
-	-	670,196	804,511	1,477,848	-
-	-	-	-	-	-
-	218,665	-	-	-	-
-	-	-	-	-	-
-	-	5,790	25,000	-	-
-	-	385,385	876,100	2,050,458	177,110
-	-	-	-	-	-
-	3,156	1,707	84,315	19,147	37,384
-	221,821	392,881	985,415	2,069,606	214,494
-	-	-	-	-	-
-	-	-	-	-	-
-	-	326,558	809,691	1,614,577	-
-	-	-	-	-	12,008
-	-	-	209	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	326,558	809,900	1,614,577	12,008
-	221,821	66,324	175,515	455,028	202,486
-	-	-	-	1,003,476	-
-	-	-	-	51,964	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,055,439	-
-	-	127,677	111,586	388,961	272,430
-	-	-	51,956	177,215	-
-	82,958	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	82,958	127,677	163,542	566,176	272,430
-	<b>138,863</b>	<b>(61,353)</b>	<b>11,973</b>	<b>944,291</b>	<b>(69,944)</b>
3,530,763	1,296,849	-	-	-	1,518,430
-	-	608,842	816,484	2,422,140	-
<b>3,530,763</b>	<b>1,296,849</b>	<b>608,842</b>	<b>816,484</b>	<b>2,422,140</b>	<b>1,518,430</b>

**City of Fircrest**  
**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 General Fund</b>	<b>105 Police Investigation Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	8,187,739	1,655,852	11,438
30880	Unreserved	4,466,639	1,417,480	-
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	3,207,912	3,036,303	-
320	Licenses and Permits	569,260	569,260	-
330	Intergovernmental Revenues	436,782	364,971	-
340	Charges for Goods and Services	3,811,635	247,763	-
350	Fines and Penalties	199,083	199,083	-
360	Miscellaneous Revenues	265,801	160,369	12
Total Operating Revenues:		8,490,473	4,577,749	12
<b>Operating Expenditures</b>				
510	General Government	1,055,694	1,055,694	-
520	Public Safety	2,103,440	2,103,440	-
530	Utilities	2,589,974	-	-
540	Transportation	505,488	396,795	-
550	Natural and Economic Environment	104,328	102,494	-
560	Social Services	1,509	1,509	-
570	Culture and Recreation	616,090	616,090	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		6,976,524	4,276,022	-
Net Operating Increase (Decrease):		1,513,950	301,727	12
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	147,370	111,370	-
391-393	Debt Proceeds	604,637	-	-
397	Transfers-In	661,565	276,352	-
Total Nonoperating Revenues:		1,413,572	387,722	-
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	24,346	24,346	-
591-593	Debt Service	219,231	-	-
594-595	Capital Expenditures	2,045,573	348,378	-
597	Transfers-Out	661,565	-	-
Total Nonoperating Expenditures:		2,950,714	372,724	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(23,193)</b>	<b>316,725</b>	<b>12</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	7,881,880	1,593,306	11,450
5088000	Unreserved	4,749,305	1,796,750	-
<b>Total Ending Cash and Investments</b>		<b>12,631,185</b>	<b>3,390,056</b>	<b>11,450</b>

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



<b>150 Cumulative Reserve Fund</b>	<b>310 Reet</b>	<b>415 Storm Drain</b>	<b>425 Water Fund (department)</b>	<b>430 Sewer Fund (department)</b>	<b>501 Equipment Rental Fund</b>
3,530,763	1,321,599	-	-	-	1,668,088
-	-	557,912	781,377	1,709,871	-
-	-	-	-	-	-
-	171,609	-	-	-	-
-	-	-	-	-	-
-	-	71,811	-	-	-
-	-	388,462	898,604	2,073,777	203,028
-	-	-	-	-	-
-	1,479	835	79,908	4,954	18,243
-	173,088	461,109	978,513	2,078,731	221,271
-	-	-	-	-	-
-	-	-	-	-	-
-	-	338,281	773,477	1,478,216	-
-	-	-	-	-	108,694
-	-	-	1,835	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	338,281	775,311	1,478,216	108,694
-	173,088	122,828	203,201	600,515	112,577
-	-	-	-	-	-
-	-	-	16,000	20,000	-
-	-	-	-	604,637	-
-	-	-	-	385,213	-
-	-	-	16,000	1,009,850	-
-	-	-	-	-	-
-	-	-	53,062	166,169	-
-	-	10,544	143,006	1,351,354	192,291
-	336,701	-	-	324,864	-
-	336,701	10,544	196,067	1,842,387	192,291
-	(163,613)	112,284	23,133	(232,022)	(79,714)
3,530,763	1,157,986	-	-	-	1,588,375
-	-	670,196	804,511	1,477,848	-
<b>3,530,763</b>	<b>1,157,986</b>	<b>670,196</b>	<b>804,511</b>	<b>1,477,848</b>	<b>1,588,375</b>

**City of Fircrest**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>Pension Trust</b>	<b>Agency</b>
308	Beginning Cash and Investments	44,398	44,393	5
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	205,873	15,180	190,693
510-590	Deductions	202,848	12,151	190,697
	Net Increase (Decrease) in Cash and Investments:	3,025	3,029	(4)
508	Ending Cash and Investments	47,422	47,422	-

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

**City of Fircrest**  
**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>Pension Trust</b>	<b>Agency</b>
308	Beginning Cash and Investments	41,461	41,461	-
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	159,224	12,565	146,659
510-590	Deductions	156,288	9,633	146,655
	Net Increase (Decrease) in Cash and Investments:	2,936	2,932	4
508	Ending Cash and Investments	44,398	44,393	5

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

**City of Fircrest**  
**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>Pension Trust</b>	<b>Agency</b>
308	Beginning Cash and Investments	41,468	41,468	-
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	176,495	12,580	163,915
510-590	Deductions	176,502	12,587	163,915
Net Increase (Decrease) in Cash and Investments:		(7)	(7)	(0)
508	Ending Cash and Investments	41,461	41,461	-

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

## **Notes to the Financial Statements**

### **Note 1 - Summary of Significant Accounting Policies**

The City of Fircrest was incorporated in 1925 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Fircrest is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administration. In addition, the City owns and operates water, sewer and storm utilities.

The City of Fircrest 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 GAPP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

#### **A. Fund Accounting**

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

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

##### **General (Current Expense) Fund**

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

##### **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.

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City of Fircrest on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

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

### Agency Funds

These funds are used to account assets that City of Fircrest holds for others in an agency capacity. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held. Agency funds do not report results of operations.

In 2017 for reporting purposes Fund 411-Trust Deposits was reclassified to Fund 611-Fiduciary Fund. This reclassification allows for proper classification on Statement C-5.

## B. Basis of Accounting

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

In accordance with state law the 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 adopts annual appropriated budgets for 10 funds (for reporting purposes the Street Fund has been included in the General Fund and the Relocation of Backyard Sewer Mains Project Fund has been included in the Sewer Fund). These budgets are appropriated at the fund level. Budgeted amounts are authorized to be transferred within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body. 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 amounts include Ending Fund Balance. The Police Inv, REET, Water and ERR Fund actual Ending Fund Balances were higher than anticipated. Actual expenditures without Ending Fund Balance were within the appropriated amounts.

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	\$ 10,620,814	\$ 9,607,923	\$ 1,012,891
Police Inv Fund	\$ 11,500	\$ 11,533	\$ - 33
Cumulative Res Fund	\$ 3,530,763	\$ 3,530,763	\$ 0
Real Est Exc Tax Fund	\$ 1,478,149	\$ 1,556,382	\$ -78,233
Storm Drain Fund	\$ 1,097,642	\$ 1,062,431	\$ 35,211
Water Fund	\$ 1,858,154	\$ 1,886,530	\$ -28,376
Sewer Fund	\$ 5,287,253	\$ 5,238,453	\$ 48,800
Equip Rental Fund	\$ 1,852,529	\$ 1,867,658	\$ -15,129

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,940 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

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

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

General Fund consists of two Designated Ending Fund Balances

1. Designated Light Fund \$773,178 which was established by Resolution #775 from the sale of assets from the Light Utility to the City of Tacoma. The City Council of the City of Fircrest segregated this money to be spent on an annual \$60,000 transfer to the Street Fund for Street Light maintenance and for capital projects or use as matching funds for grants.

2. Designated Fund Balance 44<sup>th</sup> \$575,575 which was established by Resolution #778 from the sale of property located at 44<sup>th</sup> Street and Alameda. This money is to be spent on capital projects or other uses Council designates.

Police Investigative Fund \$11,927. By State law, all monies received from the result of seizures, drug raids, etc. are required to be spent for police purposes.

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General \$3,000,000, Street Fund \$150,000 as well as from the proprietary Water Fund \$11,513 and Sewer Fund \$369,250. These monies have been reserved for capital outlay and operation and maintenance for municipal purposes. Monies from said fund may be expended upon appropriate council action.

Real Estate Excise Tax Fund \$1,350,790. Under State law, Fircrest can spend its real estate excise tax receipts only on capital projects specified in the capital facilities plan element of its comprehensive plan. Such capital projects are defined in FMC 3.36.040(d) and FMC 3.40.020.

Equipment Rental & Replacement Fund \$1,427,188. Created by Ordinance #935. Designated funds are to be used for operation and maintenance and for the purchase of capital equipment within the Equipment Rental & Replacement Fund as designated by Council with a purchase price exceeding \$1,000 in value.

#### I. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of transfers of funds for capital expenditures.

#### J. Risk Management

The City of Fircrest is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2017, the CIAW had 201 full members in the program.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. The insurance carrier covers 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 and Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to 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, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2017 were \$1,501,903.83.

Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

## **Note 2 – 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 are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of its agent in the government's name.

Bonds are recorded with a total face value of \$5,000,000.

Fair Market Value of Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	<u>City's own investments</u>	<u>Investments held by City as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
L.G.I.P.	\$6,630,677.67	\$	\$6,630,677.67
US Govt Agency Securities	\$4,939,363.00		\$4,939,363.00
Total	\$11,570,040.67	\$	\$11,570,040.67

### **Note 3 - Property Tax**

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

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

The City regular levy for the year 2017 was \$ 2.13109 per \$1,000 on an assessed valuation of \$722,509,379 for a total regular levy of \$1,539,735 for 2017. In 2017, the City levied an additional \$0.4424 per \$1,000 for Emergency Medical Service for a total additional levy of \$319,661.

### **Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term 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, 2017.

The debt service requirements for other debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2017	273,312	93,479	366,791
2018	298,214	67,043	365,257
2019	300,580	63,145	363,725
2020	303,013	59,181	362,194
2021	305,515	55,148	360,663
2022-2026	1,390,785	219,309	1,610,094
2027-2031	1,420,656	133,452	1,554,108
2032-2036	583,466	41,848	625,314
2037-2041			0
	<hr/>	<hr/>	<hr/>
TOTALS	<u>\$4,875,541</u>	<u>\$ 732,605</u>	<u>\$5,608,146</u>

### **Note 5 - Pension Plans**

#### **State Sponsored Pension Plans**

Substantially all City of Fircrest's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, PERS 2, PERS 3, LEOFF 1 and LEOFF 2.

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

The Department of Retirement Systems, a department within the primary government of the State of

Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2017, the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	\$21,092	.003506%	\$ 166,362
PERS1 UALL	\$71,697	.011919%	\$ 565,566
PERS 2/3	\$93,642	.015331%	\$ 532,679

#### LEOFF Plan 1

The City also participates 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.

#### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

#### **Note 6 – Health and Welfare**

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

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

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

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

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

#### **Note 7 - Other Disclosures**

- a. The City's financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- b. Total cash does not include the amount of cash being held in trust for Fircrest Municipal Court. This is a holding account only. As of 12/31/2017 this amounted to \$2,023.00.
- c. OPEB – The City has a commitment to pay for post employment benefits for employees that belong to LEOFF1. These benefits include medical, dental, vision, and long term care. One retiree received benefits during the year and \$13,602 was paid out for those benefits.
- d. The City has two pending lawsuits against the City of Fircrest as of 12/31/17.

1. Jose German v. City of Fircrest. This lawsuit remains pending at this time. Officer Roberts is also named as defendant. This lawsuit is a civil rights complaint filed in the US District Court, Western District of Washington. A discovery extension has been granted to allow additional discovery. Once the discovery has been complete, the City of Fircrest will bring a motion for summary judgement seeking to dismiss the claim.
  2. Susan Crawford v. City of Fircrest. This case was filed in Pierce County Superior Court under cause number 16-2-12036-1. Ms. Crawford tripped and fell and is suing the city for damages. The trial date is set for May 22, 2018.
- e. The City has active construction projects as of December 31, 2017. At year end the City's construction commitment with contractors are:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining</u>	<u>Funding</u>
Parks Playground Construction	\$ 2,451	\$ 0	
Sidewalk Project Construction	\$ 570,908	\$ 30,048	TIB Grant
Sidewalk Project Engineering	\$ 49,276	\$ 0	
Sewer lift station Project Const	\$ 44,346	\$ 367,339	Sewer Fund Balance
Sewer lift station Engineering	\$ 80,992	\$ 32,260	Sewer Fund Balance
Traffic Signal – Construction	\$ 0	\$ 238,486	DOT Grant
Traffic Signal – Engineering	\$ 48,467	\$ 27,514	DOT Grant
Drake Street lift station – Eng.	\$ 18,053	\$ 66,003	Sewer Fund Balance
Pool Evaluation	\$ 4,943	\$ 8,052	44 <sup>th</sup> St Fund Balance
Ramsdell Water Line	\$ 14,067	\$ 3,500	Water Fund Balance

Of the committed balance of \$773,202, the City will be required to raise \$0 in future financing.

## **Notes to the Financial Statements**

### **Note 1 - Summary of Significant Accounting Policies**

The City of Fircrest was incorporated in 1925 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Fircrest is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administration. In addition, the City owns and operates water, sewer and storm utilities.

The City of Fircrest 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 GAPP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

#### **A. Fund Accounting**

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

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

##### **General (Current Expense) Fund**

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

##### **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.

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City of Fircrest on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

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

### Agency Funds

These funds are used to account assets that City of Fircrest holds for others in an agency capacity. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held. Agency funds do not report results of operations.

In 2016 for reporting purposes Fund 411-Trust Deposits was reclassified to Fund 611-Fiduciary Fund. This reclassification allows for proper classification on Statement C-5.

## B. Basis of Accounting

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

In accordance with state law the 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 adopts annual appropriated budgets for 10 funds (for reporting purposes the Street Fund has been included in the General Fund and the Relocation of Backyard Sewer Mains Project Fund has been included in the Sewer Fund). These budgets are appropriated at the fund level. Budgeted amounts are authorized to be transferred within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body. 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 amounts include Ending Fund Balance. The Police Inv, REET, and Water Fund actual Ending Fund Balances were higher than anticipated. Actual expenditures without Ending Fund Balance were within the appropriated amounts.

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	\$ 9,352,452	\$ 8,758,666	\$ 593,786
Police Inv Fund	\$ 11,470	\$ 11,479	\$ - 9
Cumulative Res Fund	\$ 3,530,763	\$ 3,530,763	\$ 0
Real Est Exc Tax Fund	\$ 1,279,286	\$ 1,379,807	\$ -100,521
Storm Drain Fund	\$ 1,107,196	\$ 1,063,077	\$ 44,119
Water Fund	\$ 1,775,681	\$ 1,789,926	\$ -14,245
Sewer Fund	\$ 5,058,348	\$ 4,927,757	\$ 130,591
Equip Rental Fund	\$ 1,927,185	\$ 1,901,457	\$ 25,728

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,940 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

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

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of transfers of funds for capital expenditures.

I. Risk Management

The City of Fircrest is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2016, the CIAW had 205 full members in the program.



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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. The insurance carrier covers 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 and Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to 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, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2016 were \$1,484,482.16.

Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

#### J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

General Fund consists of two Designated Ending Fund Balances

1. Designated Light Fund \$833,178 which was established by Resolution #775 from the sale of assets from the Light Utility to the City of Tacoma. The City Council of the City of

- Fircrest segregated this money to be spent on an annual \$60,000 transfer to the Street Fund for Street Light maintenance and for capital projects or use as matching funds for grants.
2. Designated Fund Balance 44<sup>th</sup> \$576,800 which was established by Resolution #778 from the sale of property located at 44<sup>th</sup> Street and Alameda. This money is to be spent on capital projects or other uses Council designate.

Police Investigative Fund \$11,479. By State law, all monies received from the result of seizures, drug raids, etc. are required to be spent for police purposes.

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General \$3,000,000, Street Fund \$150,000 as well as from the proprietary Water Fund \$11,513 and Sewer Fund \$369,250. These monies have been reserved for capital outlay and operation and maintenance for municipal purposes. Monies from said fund may be expended upon appropriate council action.

Real Estate Excise Tax Fund \$1,296,849. Under State law, Fircrest can spend its real estate excise tax receipts only on capital projects specified in the capital facilities plan element of its comprehensive plan. Such capital projects are defined in FMC 3.36.040(d) and FMC 3.40.020.

Equipment Rental & Replacement Fund \$1,518,430. Created by Ordinance #935. Designated funds are to be used for operation and maintenance and for the purchase of capital equipment within the Equipment Rental & Replacement Fund as designated by Council with a purchase price exceeding \$1,000 in value.

## **Note 2 – 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 are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of its agent in the government's name.

Bonds are recorded with a total face value of \$5,000,000.

Fair Market Value of Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>City's own investments</u>	<u>Investments held by City as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
L.G.I.P.	\$6,567,203.97	\$	\$6,567,203.97
US Govt Agency Securities	\$4,942,134.50		\$4,942,134.50
	<hr/>	<hr/>	<hr/>
Total	\$11,509,338.47	\$ <hr/>	\$11,509,338.47

## **Note 3 - Property Tax**

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

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

The City regular levy for the year 2016 was \$ 2.3381 per \$1,000 on an assessed valuation of \$651,237,078 for a total regular levy of \$1,522,710 for 2016. In 2016, the City levied an additional \$0.4854 per \$1,000 for Emergency Medical Service for a total additional levy of \$316,116.

#### **Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term 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 other debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2016	214,802	14,370	229,172
2017	273,312	93,479	366,791
2018	298,214	67,043	365,257
2019	300,580	63,145	363,725
2020	303,013	59,181	362,194
2021-2025	1,421,388	237,267	1,658,655
2026-2030	1,404,997	151,243	1,556,240
2031-2035	805,522	60,282	865,804
2036-2040	69,479	965	70,444
	<hr/>	<hr/>	<hr/>
TOTALS	<u>\$5,091,307</u>	<u>\$ 746,975</u>	<u>\$5,838,282</u>

#### **Note 5 - Pension Plans**

##### **State Sponsored Pension Plans**

Substantially all City of Fircrest's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, PERS 2, PERS 3, LEOFF 1 and LEOFF 2.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.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:

	Allocation %	Liability (Asset)
PERS 1	.003087%	\$ 165,786
PERS1 UALL	.011664%	\$ 626,412
PERS 2/3	.014952%	\$ 752,821

#### LEOFF Plan 1

The City also participates 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.

#### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

### **Note 6 – Health and Welfare**

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

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is

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

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

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

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

#### **Note 7 - Other Disclosures**

- a. The City's financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- b. Total cash does not include the amount of cash being held in trust for Fircrest Municipal Court. This is a holding account only. As of 12/31/2016 this amounted to \$2,215.00.
- c. OPEB – The City has a commitment to pay for post employment benefits for employees that belong to LEOFF1. These benefits include medical, dental, vision, and long term care. One retiree received benefits during the year and \$8,402 was paid out for those benefits.
- d. The City has three pending lawsuits against the City of Fircrest as of 12/31/16.
  1. Manuel Urrieta v. City of Fircrest and Chris Roberts, an individual, filed April 17, 2015. Plaintiff Manuel Urrieta is requesting compensatory damages, punitive damages against Defendant Roberts, reasonable attorneys' fees and costs, permanent injunctive relief requiring improved police policies and training, and such other and further relief as the Court deems just and equitable. *On February 22, 2016, the Court entered the order dismissing plaintiff's claims for failure to prosecute. The dismissal is without prejudice. The Plaintiff has one year from February 22, 2016 to bring a motion to re-open. As of yet that has not happened.*

2. Jose German v. City of Fircrest. This lawsuit remains pending at this time. Officer Roberts is also named as defendant. This lawsuit is a civil rights complaint filed in the US District Court, Western District of Washington. A discovery extension has been granted to allow additional discovery. Once the discovery has been complete, the City of Fircrest will bring a motion for summary judgement seeking to dismiss the claim.
  3. Susan Crawford v. City of Fircrest. This case was filed in Pierce County Superior Court under cause number 16-2-12036-1. Ms. Crawford tripped and fell and is suing the city for damages. The trial date is set for May 22, 2018.
- e. The City has active construction projects as of December 31, 2016. At year end the City's construction commitment with contractors are:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Parks Playground Construction	\$63,283.01	\$2,450.56
Sidewalk Project Construction	\$ 0	\$582,502.50
Sidewalk Project Engineering	\$60,657.55	\$49,342.45
Sewer Liftstation Project Const	\$ 0	\$411,685.00
Sewer Liftstation Engineering	\$27,909.88	\$113,252.12

## **Notes to the Financial Statements**

### **Note 1 - Summary of Significant Accounting Policies**

The City of Fircrest was incorporated in 1925 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Fircrest is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administration. In addition, the City owns and operates water, sewer and storm utilities.

The City of Fircrest 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 GAPP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

#### **A. Fund Accounting**

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

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

##### **General (Current Expense) Fund**

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

##### **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.

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City of Fircrest on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

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

### Agency Funds

These funds are used to account assets that City of Fircrest holds for others in an agency capacity. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held. Agency funds do not report results of operations.

In 2015 for reporting purposes Fund 411-Trust Deposits was reclassified to Fund 611-Fiduciary Fund. This reclassification allows for proper classification on Statement C-5.

## B. Basis of Accounting

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

In accordance with state law the 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 adopts annual appropriated budgets for 10 funds (for reporting purposes the Street Fund has been included in the General Fund and the Relocation of Backyard Sewer Mains Project Fund has been included in the Sewer Fund). These budgets are appropriated at the fund level. Budgeted amounts are authorized to be transferred within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body. 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 amounts include Ending Fund Balance. The REET, Storm and Water Fund actual Ending Fund Balances were higher than anticipated. Actual expenditures without Ending Fund Balance were within the appropriated amounts.

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	\$ 8,483,994	\$ 8,038,802	\$ 445,192
Police Inv Fund	\$ 11,458	\$ 11,450	\$ 8
Cumulative Res Fund	\$ 3,530,763	\$ 3,530,763	\$ 0
Real Est Exc Tax Fund	\$ 1,442,899	\$ 1,494,687	\$ - 51,788
Storm Drain Fund	\$ 987,912	\$ 1,019,021	\$ -31,109
Water Fund	\$ 1,729,607	\$ 1,775,889	\$ -46,282
Sewer Fund	\$ 7,133,341	\$ 4,473,587	\$ 2,659,754
Equip Rental Fund	\$ 1,911,081	\$ 1,889,360	\$ 21,721

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,940 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

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

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of transfers of funds for capital expenditures.

I. Risk Management

The City of Fircrest is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2015, the CIAW had 210 full members in the program.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. The insurance carrier covers 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 and Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to 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, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2015 were \$627,702.49

Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

#### J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

General Fund consists of two Designated Ending Fund Balances

1. Designated Light Fund \$885,250 which was established by Resolution #775 from the sale of assets from the Light Utility to the City of Tacoma. The City Council of the City of

- Fircrest segregated this money to be spent on an annual \$60,000 transfer to the Street Fund for Street Light maintenance and for capital projects or use as matching funds for grants.
2. Designated Fund Balance 44<sup>th</sup> \$708,056 which was established by Resolution #778 from the sale of property located at 44<sup>th</sup> Street and Alameda. This money is to be spent on capital projects or other uses Council designate.

Police Investigative Fund \$11,450. By State law, all monies received from the result of seizures, drug raids, etc. are required to be spent for police purposes.

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General \$3,000,000, Street Fund \$150,000 as well as from the proprietary Water Fund \$11,513 and Sewer Fund \$369,250. These monies have been reserved for capital outlay and operation and maintenance for municipal purposes. Monies from said fund may be expended upon appropriate council action.

Real Estate Excise Tax Fund \$1,157,986. Under State law, Fircrest can spend its real estate excise tax receipts only on capital projects specified in the capital facilities plan element of its comprehensive plan. Such capital projects are defined in FMC 3.36.040(d) and FMC 3.40.020.

Equipment Rental & Replacement Fund \$1,588,375 Created by Ordinance #935. Designated funds are to be used for operation and maintenance and for the purchase of capital equipment within the Equipment Rental & Replacement Fund as designated by Council with a purchase price exceeding \$1,000 in value.

## **Note 2 – 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 are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of its agent in the government's name.

Bonds are recorded with a total face value of \$5,000,000.

Fair Market Value of Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>City's own investments</u>	<u>Investments held by City as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
L.G.I.P.	\$7,035,087.74	\$	\$7,035,087.74
US Govt Agency Securities	\$4,951,879.50		\$4,951,879.50
	<hr/>	<hr/>	<hr/>
Total	\$11,986,967.24	\$ <hr/>	\$11,986,967.24

## **Note 3 - Property Tax**

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

Property tax revenues are recognized when cash is received by City. Delinquent taxes are considered fully

collectible because a lien affixes to the property after tax is levied.

The City regular levy for the year 2015 was \$ 2.409795 per \$1,000 on an assessed valuation of \$623,997,365 for a total regular levy of \$1,503,706 for 2015. In 2015, the City levied an additional \$0.50 per \$1,000 for Emergency Medical Service for a total additional levy of \$ 311,999.

#### **Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term 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 other debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2015	200,134	19,097	\$219,231
2016	214,802	14,370	\$229,172
2017	249,096	36,672	\$285,768
2018	250,069	34,167	\$284,236
2019	251,069	31,635	\$282,704
2020-2024	1,182,936	120,276	\$1,303,212
2025-2029	1,079,904	73,361	\$1,153,265
2030-2034	602,219	29,911	\$632,130
2035-2039	56,735	1,201	\$ 57,936
	<hr/>	<hr/>	<hr/>
TOTALS	<u>\$4,086,964</u>	<u>\$ 360,690</u>	<u>\$4,447,654</u>

#### **Note 5 - Pension Plans**

##### **State Sponsored Pension Plans**

Substantially all City of Fircrest's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, PERS 2, PERS 3, LEOFF 1 and LEOFF 2.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.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:

	Allocation %	Liability (Asset)
PERS 1	.003513%	\$ 183,763
PERS1 UALL	.013383%	\$ 700,055
PERS 2/3	.017293%	\$ 617,889

#### LEOFF Plan 1

The City also participates 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.

#### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

#### **Note 6 – Health and Welfare**

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

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is

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

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

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

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

#### **Note 7 - Other Disclosures**

- a. The City's financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- b. Total cash does not include the amount of cash being held in trust for Fircrest Municipal Court. This is a holding account only. As of 12/31/2015 this amounted to \$785.
- c. OPEB – The City has a commitment to pay for post employment benefits for employees that belong to LEOFF1. These benefits include medical, dental, vision, and long term care. One retiree received benefits during the year and \$11,036 was paid out for those benefits.
- d. The City has two pending lawsuits against the City of Fircrest as of 12/31/15.
  1. Manuel Urrieta v. City of Fircrest and Chris Roberts, an individual, filed April 17, 2015. Plaintiff Manuel Urrieta is requesting compensatory damages, punitive damages against Defendant Roberts, reasonable attorneys' fees and costs, permanent injunctive relief requiring improved police policies and training, and such other and further relief as the Court deems just and equitable. *On February 22, 2016, the Court entered the order dismissing plaintiff's claims for failure to prosecute. The dismissal is without prejudice.*

2. Jose German filed a Civil Rights Complaint in the U.S. District Court for the Western District of Washington on April 6, 2015 asking for punitive damages, payment of medical bills to date, lifetime medical and legal fees. Plaintiff's counsel has requested that we stipulate to extend discovery. Once discovery is complete, we will bring a motion for summary judgment, seeking dismissal of all claims.
- e. The City has active construction projects as of December 31, 2015. At year end the City's construction commitment with contractors are:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer Project-Construction	\$990,430.37	\$303,517.93
Sewer Project-Engineering	\$174,015.20	\$ 12,013.80

**City of Fircrest**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2017**

<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 Absenses - Gen Fund		133,266	-	10,355	122,911
263.82	Water Supply Improv Loan Issued 2003	12/31/2022	265,308	-	44,218	221,090
263.82	PWTF Sewer Loan Issued 2011	6/1/2031	2,558,760	-	170,584	2,388,176
263.82	DOE Sewer Loan Issued 2011	3/31/2033	2,051,477	-	58,513	1,992,964
259.12	Compensated Absenses - Proprietary		30,409	1,913	-	32,322
264.30	Pension Liabilities		1,545,020	-	280,413	1,264,607
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>6,584,240</b>	<b>1,913</b>	<b>564,083</b>	<b>6,022,070</b>
<b>Total Liabilities:</b>			<b>6,584,240</b>	<b>1,913</b>	<b>564,083</b>	<b>6,022,070</b>



**City of Fircrest**  
**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>						
259.12	Compensated Absenses		151,622	-	18,356	133,266
263.82	Water Supply Improv Loan issued 2003	12/31/2022	309,525	-	44,217	265,308
263.82	PWTF Sewer Loan issued 2011	6/1/2031	2,729,344	-	170,584	2,558,760
263.82	DOE Sewer Loan issued 2011	3/31/2033	962,593	1,088,884	-	2,051,477
259.12	Compensated Absenses		36,214	-	5,805	30,409
264.30	Pension Liabilities		1,501,707	43,313	-	1,545,020
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,691,005</b>	<b>1,132,197</b>	<b>238,962</b>	<b>6,584,240</b>
<b>Total Liabilities:</b>			<b>5,691,005</b>	<b>1,132,197</b>	<b>238,962</b>	<b>6,584,240</b>

**City of Fircrest**  
**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>						
259.12	Compensated Absenses		145,421	6,201	-	151,622
263.82	Water Supply Improv Loan issued 2003	12/31/2022	353,743	-	44,218	309,525
263.82	PWTF Sewer Loan issued 2011	6/1/2031	2,410,343	474,917	155,916	2,729,344
263.82	DOE Sewer Loan issued 2011	3/31/2033	832,873	129,720	-	962,593
259.12	Compensated Absenses		39,695	-	3,481	36,214
264.30	Pension Liabilities		-	1,501,707	-	1,501,707
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,782,075</b>	<b>2,112,545</b>	<b>203,615</b>	<b>5,691,005</b>
<b>Total Liabilities:</b>			<b>3,782,075</b>	<b>2,112,545</b>	<b>203,615</b>	<b>5,691,005</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>