



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements Audit Report**

# **City of Elma**

**Grays Harbor County**

**For the period January 1, 2011 through December 31, 2013**

**Published November 3, 2014**

**Report No. 1012867**





## Washington State Auditor Troy Kelley

November 3, 2014

Mayor and City Council  
City of Elma  
Elma, Washington

### Report on Financial Statements

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

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR

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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**City of Elma  
Grays Harbor County  
January 1, 2011 through December 31, 2013**

Mayor and City Council  
City of Elma  
Elma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Elma, Grays Harbor County, Washington, as of and for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 22, 2014.

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 or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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

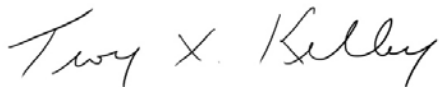
## ***COMPLIANCE AND OTHER MATTERS***

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

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

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

October 22, 2014

# **Independent Auditor's Report on Financial Statements**

## **City of Elma Grays Harbor County January 1, 2011 through December 31, 2013**

Mayor and City Council  
City of Elma  
Elma, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the City of Elma, Grays Harbor County, Washington, for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Elma, for the years ended December 31, 2013, 2012 and 2011, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Elma, as of December 31, 2013, 2012 and 2011, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

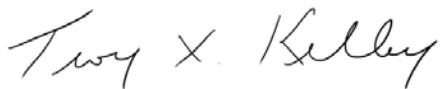
#### ***Supplementary and Other Information***

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities and Schedule of Long-Term Debt are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

October 22, 2014



## **Financial Section**

**City of Elma  
Grays Harbor County  
January 1, 2011 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fund Resources and Uses Arising from Cash Transactions – 2012  
Fund Resources and Uses Arising from Cash Transactions – 2011  
Notes to Financial Statements – 2013  
Notes to Financial Statements – 2012  
Notes to Financial Statements – 2011

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

Schedule of Liabilities – 2013  
Schedule of Liabilities – 2012  
Schedule of Long-Term Debt – 2011

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All Funds	001 Current Expense Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	\$ 237,881	\$ -
30880	Beg Fund Bal-Unreserved	\$ 2,503,197	\$ 227,048
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
<b>Operating Revenues</b>			
310	Taxes	\$ 1,570,389	\$ 1,396,455
320	Licenses & Permits	\$ 30,960	\$ 30,960
330	Intergov Revenues	\$ 136,315	\$ 72,022
340	Charges for Goods and Services	\$ 1,689,018	\$ 43,679
350	Fines & Penalties	\$ 36,360	\$ 36,360
360	Misc Rev	\$ 36,980	\$ 12,134
Total Operating Revenues:		\$ 3,500,022	\$ 1,591,610
<b>Operating Expenditures</b>			
510	Gen Gov	\$ 307,328	\$ 307,328
520	Public Safety	\$ 1,317,365	\$ 1,127,220
530	Utilities	\$ 1,435,042	\$ 5,086
540	Transportation	\$ 104,029	\$ -
550	Natural and Economic Environment	\$ 15,439	\$ 15,439
560	Social Services	\$ 527	\$ 527
570	Culture and Rec	\$ 139,517	\$ 58,737
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 3,319,247	\$ 1,514,337
Net Operating Increase (Decrease):		\$ 180,775	\$ 77,273
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	\$ 69,288	\$ 57,939
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ 69,288	\$ 57,939
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Fin Uses	\$ 52,717	\$ 37,505
591-593	Debt Service	\$ 155,752	\$ -
594-595	Capital Expenditures	\$ 272,535	\$ 64,405
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 481,004	\$ 101,910
Increase (Decrease) in Cash and Investments		\$ (230,941)	\$ 33,302
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	\$ 190,941	\$ -
50880	End Fund Bal-Unreserved	\$ 2,319,199	\$ 260,350

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		102 Street Maintenance Fund	103 Cemetery Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	\$ -	\$ -
30880	Beg Fund Bal-Unreserved	\$ 276,293	\$ 46,245
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
<b>Operating Revenues</b>			
310	Taxes	\$ 51,820	\$ 14,367
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ 64,293	\$ -
340	Charges for Goods and Services	\$ -	\$ 29,932
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ 865	\$ 21
Total Operating Revenues:		\$ 116,978	\$ 44,320
<b>Operating Expenditures</b>			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ 47,776
540	Transportation	\$ 104,029	\$ -
550	Natural and Economic Environment	\$ -	\$ -
560	Social Services	\$ -	\$ -
570	Culture and Rec	\$ -	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 104,029	\$ 47,776
Net Operating Increase (Decrease):		\$ 12,949	\$ (3,456)
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	\$ 1,000	\$ -
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ 1,000	\$ -
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Fin Uses	\$ -	\$ -
591-593	Debt Service	\$ -	\$ -
594-595	Capital Expenditures	\$ 2,519	\$ -
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 2,519	\$ -
Increase (Decrease) in Cash and Investments		\$ 11,430	\$ (3,456)
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	\$ -	\$ -
50880	End Fund Bal-Unreserved	\$ 287,723	\$ 42,790

*The accompanying notes are an integral part*

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		106 Hotel/ motel Tax	201 G.O. Bonds Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	\$ -	\$ -
30880	Beg Fund Bal-Unreserved	\$ 116,480	\$ 23,229
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
<b>Operating Revenues</b>			
310	Taxes	\$ 89,592	\$ 2,096
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ -
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ -	\$ 13
Total Operating Revenues:		\$ 89,592	\$ 2,109
<b>Operating Expenditures</b>			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ -
540	Transportation	\$ -	\$ -
550	Natural and Economic Environment	\$ -	\$ -
560	Social Services	\$ -	\$ -
570	Culture and Rec	\$ 80,780	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 80,780	\$ -
Net Operating Increase (Decrease):		\$ 8,812	\$ 2,109
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	\$ -	\$ -
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ -	\$ -
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Fin Uses	\$ 10,199	\$ -
591-593	Debt Service	\$ -	\$ -
594-595	Capital Expenditures	\$ -	\$ -
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 10,199	\$ -
Increase (Decrease) in Cash and Investments		\$ (1,387)	\$ 2,109
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	\$ -	\$ -
50880	End Fund Bal-Unreserved	\$ 115,093	\$ 25,338

The accompanying notes are an integral part

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		302 Real Estate Excise Tax- Cap. Imp	401 Water & Sewer Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	\$ 80,504	\$ 157,377
30880	Beg Fund Bal-Unreserved	\$ -	\$ 1,810,691
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
<b>Operating Revenues</b>			
310	Taxes	\$ 16,059	\$ -
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ 1,420,607
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ -	\$ 23,947
Total Operating Revenues:		\$ 16,059	\$ 1,444,554
<b>Operating Expenditures</b>			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ 1,382,180
540	Transportation	\$ -	\$ -
550	Natural and Economic Environment	\$ -	\$ -
560	Social Services	\$ -	\$ -
570	Culture and Rec	\$ -	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ -	\$ 1,382,180
Net Operating Increase (Decrease):		\$ 16,059	\$ 62,374
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	\$ -	\$ 10,349
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ -	\$ 10,349
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Fin Uses	\$ -	\$ 5,013
591-593	Debt Service	\$ -	\$ 155,752
594-595	Capital Expenditures	\$ 62,998	\$ 142,613
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 62,998	\$ 303,378
Increase (Decrease) in Cash and Investments		\$ (46,939)	\$ (230,655)
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	\$ 33,564	\$ 157,377
50880	End Fund Bal-Unreserved	\$ -	\$ 1,580,038

*The accompanying notes are an integral part*

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		407 Amulance fund
<b>Beginning Cash and Investments</b>		
30810	Beg Fund Bal-Reserved	\$ -
30880	Beg Fund Bal-Unreserved	\$ 3,211
38800/58800	Prior Period Adjustments, net	\$ -
<b>Operating Revenues</b>		
310	Taxes	\$ -
320	Licenses & Permits	\$ -
330	Intergov Revenues	\$ -
340	Charges for Goods and Services	\$ 194,800
350	Fines & Penalties	\$ -
360	Misc Rev	\$ -
Total Operating Revenues:		\$ 194,800
<b>Operating Expenditures</b>		
510	Gen Gov	\$ -
520	Public Safety	\$ 190,145
530	Utilities	\$ -
540	Transportation	\$ -
550	Natural and Economic Environment	\$ -
560	Social Services	\$ -
570	Culture and Rec	\$ -
598	Intergov Payments	\$ -
Total Operating Expenditures:		\$ 190,145
Net Operating Increase (Decrease):		\$ 4,655
<b>Nonoperating Revenues</b>		
370, 380, 395, 398	Other Financing Sources	\$ -
391-393	Debt Proceeds	\$ -
397	Transfers-In	\$ -
Total Nonoperating Revenues		\$ -
<b>Nonoperating Expenditures</b>		
580, 596, 599	Other Fin Uses	\$ -
591-593	Debt Service	\$ -
594-595	Capital Expenditures	\$ -
597	Transfers-Out	\$ -
Total Nonoperating Expenditures		\$ -
Increase (Decrease) in Cash and Investments		\$ 4,655
<b>Ending Cash and Investments</b>		
50810	End Fund Bal-Reserved	\$ -
50880	End Fund Bal-Unreserved	\$ 7,867

*The accompanying notes are an integral part*

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All Funds	001 Current Expense Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	\$ 186,427	\$ -
30880	Beg Fund Bal-Unreserved	\$ 2,775,980	\$ 216,732
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
<b>Operating Revenues</b>			
310	Taxes	\$ 1,589,104	\$ 1,342,788
320	Licenses & Permits	\$ 28,526	\$ 28,526
330	Intergov Revenues	\$ 269,871	\$ 86,950
340	Charges for Goods and Services	\$ 1,652,454	\$ 36,712
350	Fines & Penalties	\$ 38,580	\$ 38,580
360	Misc Rev	\$ 40,011	\$ 12,325
Total Operating Revenues:		\$ 3,618,546	\$ 1,545,881
<b>Operating Expenditures</b>			
510	Gen Gov	\$ 330,616	\$ 330,616
520	Public Safety	\$ 1,282,248	\$ 1,094,572
530	Utilities	\$ 1,237,169	\$ 6,894
540	Transportation	\$ 455,125	\$ -
550	Economic Environment	\$ 10,871	\$ 10,871
560	Mental & Physical Health	\$ 710	\$ 710
570	Culture and Rec	\$ 146,984	\$ 80,148
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 3,463,723	\$ 1,523,811
Net Operating Increase (Decrease):		\$ 154,823	\$ 22,070
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	\$ 46,599	\$ 7,293
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ 46,599	\$ 7,293
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Fin Uses	\$ 192,857	\$ 687
591-593	Debt Service	\$ 41,119	\$ -
594-595	Capital Expenditures	\$ 188,777	\$ 18,359
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 422,752	\$ 19,046
Increase (Decrease) in Cash and Investments		\$ (221,331)	\$ 10,317
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	\$ 157,377	\$ -
50880	End Fund Bal-Unreserved	\$ 2,583,701	\$ 227,048

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code			102 Street		103 Cemetery Fund	
			Maintenance Fund			
Beginning Cash and Investments						
30810	Beg Fund Bal-Reserved	\$	-	\$	-	
30880	Beg Fund Bal-Unreserved	\$	486,292	\$	51,085	
38800/58800	Prior Period Adjustments, net	\$	-	\$	-	
Operating Revenues						
310	Taxes	\$	73,646	\$	18,508	
320	Licenses & Permits	\$	-	\$	-	
330	Intergov Revenues	\$	182,921	\$	-	
340	Charges for Goods and Services	\$	-	\$	22,657	
350	Fines & Penalties	\$	-	\$	-	
360	Misc Rev	\$	1,294	\$	2	
Total Operating Revenues:			\$	257,861	\$	41,167
Operating Expenditures						
510	Gen Gov	\$	-	\$	-	
520	Public Safety	\$	-	\$	-	
530	Utilities	\$	-	\$	45,007	
540	Transportation	\$	455,125	\$	-	
550	Economic Environment	\$	-	\$	-	
560	Mental & Physical Health	\$	-	\$	-	
570	Culture and Rec	\$	-	\$	-	
598	Intergov Payments	\$	-	\$	-	
Total Operating Expenditures:			\$	455,125	\$	45,007
Net Operating Increase (Decrease):			\$	(197,264)	\$	(3,840)
Nonoperating Revenues						
370, 380, 395, 398	Other Financing Sources	\$	2,265	\$	-	
391-393	Debt Proceeds	\$	-	\$	-	
397	Transfers-In	\$	-	\$	-	
Total Nonoperating Revenues			\$	2,265	\$	-
Nonoperating Expenditures						
580, 596, 599	Other Fin Uses	\$	-	\$	-	
591-593	Debt Service	\$	-	\$	-	
594-595	Capital Expenditures	\$	15,000	\$	1,000	
597	Transfers-Out	\$	-	\$	-	
Total Nonoperating Expenditures			\$	15,000	\$	1,000
Increase (Decrease) in Cash and Investments			\$	(209,999)	\$	(4,840)
Ending Cash and Investments						
50810	End Fund Bal-Reserved	\$	-	\$	-	
50880	End Fund Bal-Unreserved	\$	276,293	\$	46,245	

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



## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		106 Hotel/ motel Tax	201 G.O. Bonds Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	\$ -	\$ 29,050
30880	Beg Fund Bal-Unreserved	\$ 106,808	\$ -
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
Operating Revenues			
310	Taxes	\$ 112,408	\$ 31,472
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ -
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ -	\$ 35
Total Operating Revenues:		\$ 112,408	\$ 31,507
Operating Expenditures			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ -
540	Transportation	\$ -	\$ -
550	Economic Environment	\$ -	\$ -
560	Mental & Physical Health	\$ -	\$ -
570	Culture and Rec	\$ 66,836	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 66,836	\$ -
Net Operating Increase (Decrease):		\$ 45,572	\$ 31,507
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	\$ -	\$ -
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ -	\$ -
Nonoperating Expenditures			
580, 596, 599	Other Fin Uses	\$ 35,900	\$ -
591-593	Debt Service	\$ -	\$ 37,328
594-595	Capital Expenditures	\$ -	\$ -
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 35,900	\$ 37,328
Increase (Decrease) in Cash and Investments		\$ 9,672	\$ (5,821)
Ending Cash and Investments			
50810	End Fund Bal-Reserved	\$ -	\$ -
50880	End Fund Bal-Unreserved	\$ 116,480	\$ 23,229

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code			301 Real Estate Excise Tax- Cap. Imp	401 Water & Sewer Fund
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$	-	\$ 157,377
30880	Beg Fund Bal-Unreserved	\$	108,780	\$ 1,791,988
38800/58800	Prior Period Adjustments, net	\$	-	\$ -
Operating Revenues				
310	Taxes	\$	10,282	\$ -
320	Licenses & Permits	\$	-	\$ -
330	Intergov Revenues	\$	-	\$ -
340	Charges for Goods and Services	\$	-	\$ 1,416,493
350	Fines & Penalties	\$	-	\$ -
360	Misc Rev	\$	831	\$ 25,524
Total Operating Revenues:			\$ 11,113	\$ 1,442,017
Operating Expenditures				
510	Gen Gov	\$	-	\$ -
520	Public Safety	\$	-	\$ -
530	Utilities	\$	-	\$ 1,185,268
540	Transportation	\$	-	\$ -
550	Economic Environment	\$	-	\$ -
560	Mental & Physical Health	\$	-	\$ -
570	Culture and Rec	\$	-	\$ -
598	Intergov Payments	\$	-	\$ -
Total Operating Expenditures:			\$ -	\$ 1,185,268
Net Operating Increase (Decrease):			\$ 11,113	\$ 256,749
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	\$	-	\$ 37,041
391-393	Debt Proceeds	\$	-	\$ -
397	Transfers-In	\$	-	\$ -
Total Nonoperating Revenues			\$ -	\$ 37,041
Nonoperating Expenditures				
580, 596, 599	Other Fin Uses	\$	-	\$ 156,270
591-593	Debt Service	\$	-	\$ 3,791
594-595	Capital Expenditures	\$	39,390	\$ 115,028
597	Transfers-Out	\$	-	\$ -
Total Nonoperating Expenditures			\$ 39,390	\$ 275,088
Increase (Decrease) in Cash and Investments			\$ (28,277)	\$ 18,702
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$	-	\$ 157,377
50880	End Fund Bal-Unreserved	\$	80,504	\$ 1,810,691

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code			407 Amulance fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	\$	-
30880	Beg Fund Bal-Unreserved	\$	14,295
38800/58800	Prior Period Adjustments, net	\$	-
Operating Revenues			
310	Taxes	\$	-
320	Licenses & Permits	\$	-
330	Intergov Revenues	\$	-
340	Charges for Goods and Services	\$	176,592
350	Fines & Penalties	\$	-
360	Misc Rev	\$	-
Total Operating Revenues:			\$ 176,592
Operating Expenditures			
510	Gen Gov	\$	-
520	Public Safety	\$	187,676
530	Utilities	\$	-
540	Transportation	\$	-
550	Economic Environment	\$	-
560	Mental & Physical Health	\$	-
570	Culture and Rec	\$	-
598	Intergov Payments	\$	-
Total Operating Expenditures:			\$ 187,676
Net Operating Increase (Decrease):			\$ (11,084)
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	\$	-
391-393	Debt Proceeds	\$	-
397	Transfers-In	\$	-
Total Nonoperating Revenues			\$ -
Nonoperating Expenditures			
580, 596, 599	Other Fin Uses	\$	-
591-593	Debt Service	\$	-
594-595	Capital Expenditures	\$	-
597	Transfers-Out	\$	-
Total Nonoperating Expenditures			\$ -
Increase (Decrease) in Cash and Investments			\$ (11,084)
Ending Cash and Investments			
50810	End Fund Bal-Reserved	\$	-
50880	End Fund Bal-Unreserved	\$	3,211

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		Total for All Funds	001 Current Expense Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	\$ 186,540	\$ -
30880	Beg Fund Bal-Unreserved	\$ 3,352,794	\$ 313,453
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
<b>Operating Revenues</b>			
310	Taxes	\$ 1,484,130	\$ 1,200,571
320	Licenses & Permits	\$ 68,682	\$ 68,682
330	Intergov Revenues	\$ 131,888	\$ 66,646
340	Charges for Goods and Services	\$ 1,473,979	\$ 57,896
350	Fines & Penalties	\$ 46,035	\$ 46,035
360	Misc Rev	\$ 27,999	\$ 8,483
Total Operating Revenues:		\$ 3,232,713	\$ 1,448,313
<b>Operating Expenditures</b>			
510	Gen Gov	\$ 357,865	\$ 357,865
520	Public Safety	\$ 1,206,099	\$ 1,061,467
530	Utilities	\$ 1,185,989	\$ 5,961
540	Transportation	\$ 323,704	\$ -
550	Economic Environment	\$ 16,112	\$ 16,112
560	Mental & Physical Health	\$ 937	\$ 937
570	Culture and Rec	\$ 150,344	\$ 83,588
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 3,241,050	\$ 1,525,930
Net Operating Increase (Decrease):		\$ (8,337)	\$ (77,617)
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	\$ 3,742,254	\$ 18,714
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ 65,000	\$ -
Total Nonoperating Revenues		\$ 3,807,254	\$ 18,714
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Fin Uses	\$ 3,866,347	\$ -
591-593	Debt Service	\$ 60,158	\$ -
594-595	Capital Expenditures	\$ 154,357	\$ 37,819
597	Transfers-Out	\$ 83,707	\$ -
Total Nonoperating Expenditures		\$ 4,164,569	\$ 37,819
Increase (Decrease) in Cash and Investments		\$ (365,651)	\$ (96,722)
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	\$ 186,427	\$ -
50880	End Fund Bal-Unreserved	\$ 2,987,256	\$ 216,732

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		102 Street Maintenance Fund	103 Cemetery Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	\$ -	\$ -
30880	Beg Fund Bal-Unreserved	\$ 671,565	\$ 61,260
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
Operating Revenues			
310	Taxes	\$ 71,035	\$ 16,393
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ 65,242	\$ -
340	Charges for Goods and Services	\$ -	\$ 17,364
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ 1,163	\$ 3
Total Operating Revenues:		\$ 137,440	\$ 33,760
Operating Expenditures			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ 43,935
540	Transportation	\$ 323,704	\$ -
550	Economic Environment	\$ -	\$ -
560	Mental & Physical Health	\$ -	\$ -
570	Culture and Rec	\$ -	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 323,704	\$ 43,935
Net Operating Increase (Decrease):		\$ (186,263)	\$ (10,175)
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	\$ 990	\$ -
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ 45,000	\$ -
Total Nonoperating Revenues		\$ 45,990	\$ -
Nonoperating Expenditures			
580, 596, 599	Other Fin Uses	\$ -	\$ -
591-593	Debt Service	\$ -	\$ -
594-595	Capital Expenditures	\$ -	\$ -
597	Transfers-Out	\$ 45,000	\$ -
Total Nonoperating Expenditures		\$ 45,000	\$ -
Increase (Decrease) in Cash and Investments		\$ (185,273)	\$ (10,175)
Ending Cash and Investments			
50810	End Fund Bal-Reserved	\$ -	\$ -
50880	End Fund Bal-Unreserved	\$ 486,292	\$ 51,085

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		106 Hotel/ motel Tax	109 Real Estate Excise Tax- Cap. Imp
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	\$ -	\$ -
30880	Beg Fund Bal-Unreserved	\$ 104,466	\$ 100,974
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
Operating Revenues			
310	Taxes	\$ 85,423	\$ 55,060
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ -
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ -	\$ -
Total Operating Revenues:		\$ 85,423	\$ 55,060
Operating Expenditures			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ -
540	Transportation	\$ -	\$ -
550	Economic Environment	\$ -	\$ -
560	Mental & Physical Health	\$ -	\$ -
570	Culture and Rec	\$ 66,756	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 66,756	\$ -
Net Operating Increase (Decrease):		\$ 18,667	\$ 55,060
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	\$ 892	\$ -
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ 892	\$ -
Nonoperating Expenditures			
580, 596, 599	Other Fin Uses	\$ 17,217	\$ -
591-593	Debt Service	\$ -	\$ -
594-595	Capital Expenditures	\$ -	\$ 47,254
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 17,217	\$ 47,254
Increase (Decrease) in Cash and Investments		\$ 2,342	\$ 7,806
Ending Cash and Investments			
50810	End Fund Bal-Reserved	\$ -	\$ -
50880	End Fund Bal-Unreserved	\$ 106,808	\$ 108,780

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		201 G.O. Bonds Fund	401 Water & Sewer Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	\$ 29,163	\$ 157,377
30880	Beg Fund Bal-Unreserved	\$ -	\$ 1,887,764
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
Operating Revenues			
310	Taxes	\$ 55,648	\$ -
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ 1,251,106
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ 64	\$ 18,285
Total Operating Revenues:		\$ 55,712	\$ 1,269,391
Operating Expenditures			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ 1,136,093
540	Transportation	\$ -	\$ -
550	Economic Environment	\$ -	\$ -
560	Mental & Physical Health	\$ -	\$ -
570	Culture and Rec	\$ -	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ -	\$ 1,136,093
Net Operating Increase (Decrease):		\$ 55,712	\$ 133,298
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	\$ -	\$ 17,217
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ 20,000
Total Nonoperating Revenues		\$ -	\$ 37,217
Nonoperating Expenditures			
580, 596, 599	Other Fin Uses	\$ -	\$ 153,966
591-593	Debt Service	\$ 55,826	\$ 4,332
594-595	Capital Expenditures	\$ -	\$ 69,284
597	Transfers-Out	\$ -	\$ 38,707
Total Nonoperating Expenditures		\$ 55,826	\$ 266,289
Increase (Decrease) in Cash and Investments		\$ (114)	\$ (95,774)
Ending Cash and Investments			
50810	End Fund Bal-Reserved	\$ 29,050	\$ 157,377
50880	End Fund Bal-Unreserved	\$ -	\$ 1,791,988

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

## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		407 Ambulance fund	631 Payroll Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	\$ -	\$ -
30880	Beg Fund Bal-Unreserved	\$ 11,314	\$ 117,756
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
<b>Operating Revenues</b>			
310	Taxes	\$ -	\$ -
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ -	\$ -
340	Charges for Goods and Services	\$ 147,613	\$ -
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ -	\$ -
Total Operating Revenues:		\$ 147,613	\$ -
<b>Operating Expenditures</b>			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ 144,632	\$ -
530	Utilities	\$ -	\$ -
540	Transportation	\$ -	\$ -
550	Economic Environment	\$ -	\$ -
560	Mental & Physical Health	\$ -	\$ -
570	Culture and Rec	\$ -	\$ -
598	Intergov Payments	\$ -	\$ -
Total Operating Expenditures:		\$ 144,632	\$ -
Net Operating Increase (Decrease):		\$ 2,981	\$ -
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	\$ -	\$ 1,620,948
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ -	\$ 1,620,948
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Fin Uses	\$ -	\$ 1,638,216
591-593	Debt Service	\$ -	\$ -
594-595	Capital Expenditures	\$ -	\$ -
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ -	\$ 1,638,216
Increase (Decrease) in Cash and Investments		\$ 2,981	\$ (17,268)
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	\$ -	\$ -
50880	End Fund Bal-Unreserved	\$ 14,295	\$ 100,488

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



## City of Elma

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		632 Claims Fund	652 Drivers Education Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	\$ -	\$ -
30880	Beg Fund Bal-Unreserved	\$ 84,242	\$ -
38800/58800	Prior Period Adjustments, net	\$ -	\$ -
Operating Revenues			
310	Taxes	\$ -	\$ -
320	Licenses & Permits	\$ -	\$ -
330	Intergov Revenues	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ -
350	Fines & Penalties	\$ -	\$ -
360	Misc Rev	\$ -	\$ -
Total Operating Revenues:		\$ -	\$ -
Operating Expenditures			
510	Gen Gov	\$ -	\$ -
520	Public Safety	\$ -	\$ -
530	Utilities	\$ -	\$ -
540	Transportation	\$ -	\$ -
550	Economic Environment	\$ -	\$ -
560	Mental & Physical Health	\$ -	\$ -
570	Culture and Rec	\$ -	\$ -
598	Intergov Payments		\$ -
Total Operating Expenditures:		\$ -	\$ -
Net Operating Increase (Decrease):		\$ -	\$ -
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	\$ 2,035,941	\$ 47,553
391-393	Debt Proceeds	\$ -	\$ -
397	Transfers-In	\$ -	\$ -
Total Nonoperating Revenues		\$ 2,035,941	\$ 47,553
Nonoperating Expenditures			
580, 596, 599	Other Fin Uses	\$ 2,009,395	\$ 47,553
591-593	Debt Service	\$ -	\$ -
594-595	Capital Expenditures	\$ -	\$ -
597	Transfers-Out	\$ -	\$ -
Total Nonoperating Expenditures		\$ 2,009,395	\$ 47,553
Increase (Decrease) in Cash and Investments		\$ 26,545	\$ -
Ending Cash and Investments			
50810	End Fund Bal-Reserved	\$ -	\$ -
50880	End Fund Bal-Unreserved	\$ 110,788	\$ -

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

CITY OF ELMA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

THE FOLLOWING NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE CITY OF ELMA OPERATES UNDER THE LAWS OF THE STATE OF WASHINGTON APPLICABLE TO A CATEGORY TWO THIRD CLASS NONCHARTER CODE CITY. THE FOLLOWING IS A SUMMARY OF THE MORE SIGNIFICANT POLICIES, INCLUDING IDENTIFICATION OF THOSE POLICIES WHICH RESULT IN MATERIAL DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

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

A. BASIS OF PRESENTATION-FUND ACCOUNTING

THE ACCOUNTS OF THE CITY OF ELMA ARE ORGANIZED ON THE BASIS OF FUNDS, EACH OF WHICH IS CONSIDERED A SEPARATE ACCOUNTING ENTITY. EACH FUND IS ACCOUNTED FOR WITH A SEPARATE SET OF SINGLE-ENTRY ACCOUNTS THAT COMPRISES ITS CASH, INVESTMENTS, REVENUES AND EXPENDITURES OR EXPENSES, AS APPROPRIATE. THE CITY'S RESOURCES ARE ALLOCATED TO AND ACCOUNTED FOR IN INDIVIDUAL FUNDS DEPENDING ON WHAT THEY ARE TO BE SPENT FOR AND HOW THEY ARE CONTROLLED. THE FOLLOWING ARE FUND TYPES USED BY THE CITY:

GOVERNMENTAL FUND TYPES

GOVERNMENTAL FUND OPERATING STATEMENTS FOCUS ON MEASURING CHANGES IN FINANCIAL POSITION, RATHER THAN NET INCOME; THEY REPRESENT INCREASES (REVENUES AND OTHER FINANCING SOURCES) AND DECREASES (EXPENDITURES AND OTHER FINANCING USES) IN NET CURRENT ASSETS.

GENERAL OR CURRENT EXPENSE FUND (FUND NUMBER 001)

THIS FUND IS THE PRIMARY OPERATING FUND OF THE CITY. IT ACCOUNTS FOR ALL FINANCIAL RESOURCES AND TRANSACTIONS, EXCEPT THOSE REQUIRED OR ELECTED TO BE ACCOUNTED FOR IN ANOTHER FUND.

SPECIAL REVENUE FUNDS (FUNDS IN THE 100 SERIES AND CERTAIN FUNDS IN THE 400 SERIES)

THESE FUNDS ACCOUNT FOR SPECIFIC REVENUE SOURCES THAT ARE RESTRICTED OR COMMITTED TO EXPENDITURES FOR SPECIFIED PURPOSES OF THE CITY OF ELMA.

DEBT SERVICE FUNDS (FUNDS IN THE 200 SERIES)

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

CAPITAL PROJECTS FUND

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

PROPRIETARY FUND TYPES

ENTERPRISE FUNDS (FUNDS IN THE 400 SERIES)

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

FIDUCIARY FUND TYPE

AGENCY FUNDS (FUNDS IN THE 600 SERIES)

THESE FUNDS ARE USED TO ACCOUNT FOR CASH AND OTHER ASSETS RECEIVED AND HELD BY THE CITY ACTING IN A TRUSTEE CAPACITY OR AS AN AGENT ON BEHALF OF OTHERS.

GENERAL LONG-TERM DEBT

THE CITY ACCOUNTS FOR ITS LONG-TERM DEBT IN BOND RECORDS AND THE RESULTS ARE REPORTED IN THE ACCOMPANYING LONG-TERM DEBT SCHEDULE. PROPRIETARY LONG-TERM DEBT IS ACCOUNTED FOR IN THE APPROPRIATE FUND.

B. BASIS OF ACCOUNTING

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

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

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

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

C. BUDGETS AND BUDGETARY ACCOUNTING

1. SCOPE OF BUDGET

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

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

2. PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET

THE CITY'S BUDGET PROCEDURES ARE MANDATED BY CHAPTERS 35A.33 RCW. THE STEPS IN THE BUDGET PROCESS ARE AS FOLLOWS:

(A) PRIOR TO NOVEMBER 1, THE CLERK-TREASURER SUBMITS A PROPOSED BUDGET TO THE CITY COUNCIL. THIS BUDGET IS BASED ON PRIORITIES ESTABLISHED BY THE COUNCIL AND ESTIMATES PROVIDED BY CITY DEPARTMENTS DURING THE PRECEDING MONTHS, AND BALANCED WITH REVENUE ESTIMATES MADE BY THE CLERK-TREASURER.

(B) THE COUNCIL CONDUCTS PUBLIC HEARINGS ON THE PROPOSED BUDGET IN DECEMBER.

(C) THE COUNCIL MAKES ITS ADJUSTMENTS TO THE PROPOSED BUDGET AND ADOPTS BY ORDINANCE A FINAL BALANCED BUDGET NO LATER THAN DECEMBER 31.

(D) WITHIN 30 DAYS OF ADOPTION, THE FINAL BUDGET IS AVAILABLE TO THE PUBLIC.

THE APPROPRIATED AND ACTUAL EXPENDITURES FOR THE LEGALLY ADOPTED BUDGETS WERE AS FOLLOWS:

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>			
510 Department	\$ 361,757.00	\$ 313,679.02	\$ 48,077.98
520 Department	\$1,313,610.00	\$1,185,273.62	\$ 128,336.38
530 Department	\$ 5,800.00	\$ 5,086.08	\$ 713.92
550- 560 Department	\$ 24,299.00	\$ 15,965.58	\$ 8,333.42
570 Department	\$ 67,950.00	\$ 58,737.19	9,212.81
<b>Total General Fund</b>	<b>\$1,773,416.00</b>	<b>\$1,578,741.49</b>	<b>\$ 194,674.51</b>
102 Fund	\$ 196,925.00	\$ 106,548.37	\$ 90,376.63
103 Fund	\$ 52,278.00	\$ 47,775.74	\$ 4,502.26
106 Fund	\$ 130,500.00	\$ 90,979.27	\$ 39,520.73
201 Fund	\$ -0-	\$ -0-	\$ -0-
302 Fund	\$ 70,000.00	\$ 62,998.34	7,001.66
401 Fund	\$2,805,151.00	\$1,685,556.64	\$1,119,594.36
407 Fund	\$ 193,570.00	\$ 190,144.85	3,425.15

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

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

THE BUDGET AMOUNTS SHOWN IN THE FINANCIAL STATEMENTS ARE THE FINAL AUTHORIZED AMOUNTS AS REVISED DURING THE YEAR.

THE CITY RECEIVES MONTHLY STATE AND COUNTY FUNDS FROM THE ELMA MUNICIPAL COURT THAT ARE REMITTED MONTHLY TO THE STATE AND COUNTY. IN FUND 652, THEY ARE RECEIPTED IN FROM THE COURT AND THEN EXPENDED, SHOWING A -0- BALANCE ON THE ANNUAL REPORT.

D. ASSETS, LIABILITIES AND EQUITIES  
     1. CASH AND CASH EQUIVALENTS

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. AT DECEMBER 31, 2013, THE TREASURER WAS HOLDING \$2,478,860.24 RESPECTIVELY, IN SHORT-TERM RESIDUAL INVESTMENTS OF SURPLUS CASH. THIS AMOUNT IS INCLUDED IN THE NET CASH AND INVESTMENTS SHOWN ON THE STATEMENTS OF FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS. THE INTEREST ON THESE INVESTMENTS IS DIVIDED AMONG THE FUNDS THAT HAVE A BALANCE OF 1% OR MORE OF TOTAL INVESTED.

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

E. DEPOSITS

AS REQUIRED BY STATE LAW, ALL DEPOSITS AND INVESTMENTS OF THE CITY'S FUNDS ARE OBLIGATIONS OF THE U.S. GOVERNMENT, THE STATE TREASURER'S POOL OR DEPOSITS WITH WASHINGTON STATE BANKS AND SAVINGS AND LOAN INSTITUTIONS.

THE CITY'S DEPOSITS AND CERTIFICATES OF DEPOSITS ARE ENTIRELY COVERED BY FEDERAL DEPOSITORY INSURANCE (FDIC) AND/ OR BY COLLATERAL HELD IN A MULTIPLE FINANCIAL INSTITUTIONS COLLATERAL POOL ADMINISTERED BY THE WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION (PDIC).

F. INVESTMENTS

THE CITY'S INVESTMENTS ARE EITHER INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE CITY'S NAME. THE FOLLOWING SUMMARY SHOWS THE INVESTMENTS AT YEAR-END CATEGORIZED BY RISK.

CATEGORY 1 INCLUDES INVESTMENTS THAT ARE EITHER INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE CITY'S NAME.

<u>2013 CATEGORY</u>		<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
INVESTMENTS	1	\$ 387,366.03	\$ 387,366.03
L.G.I.P.		2,091,494.21	2,091,494.21
 TOTAL INVESTMENTS		 \$2,478,860.24	 2,478,860.24

G. DERIVATIVES AND SIMILAR TRANSACTIONS

NONE

H. CAPITAL ASSETS

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

I. COMPENSATED ABSENCES

THE CITY DOES NOT RECORD ACCUMULATED UNUSED VACATION, SICK, HOLIDAY, AND COMPENSATORY TIME IN ITS GOVERNMENTAL OR PROPRIETARY FUNDS.

VACATION LEAVE ACCRUAL: ONE YEAR - 40 HOURS, TWO YEARS OR MORE - 80 HOURS, FIVE YEARS OR MORE - 120 HOURS, TEN YEARS OR MORE - 160 HOURS - ACCRUED VACATION TO BE PAID TO EMPLOYEE UPON SEPARATION.

SICK LEAVE ACCRUES AT 8 HOURS PER MONTH TO A MAXIMUM OF 960 HOURS WITH A MAXIMUM OF ONE THIRD (1/3) BEING PAID UPON RETIREMENT. EMPLOYEES DO NOT RECEIVE PAYMENT FOR UNUSED SICK LEAVE IF NOT RETIRING.

J. LONG TERM DEBT - SEE LONG TERM DEBT- NOTE 6

K. OTHER FINANCING SOURCES OR USES

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

2. THE ACCOMPANYING SCHEDULES OF FINANCIAL ASSISTANCE PROVIDE A LISTING OF ALL STATE AND FEDERAL ASSISTANCE PROGRAMS IN WHICH THE CITY PARTICIPATES, AND SUMMARIZES THE CITY'S GRANT TRANSACTIONS FOR 2013.

3. INTERFUND TRANSACTIONS ARE CLASSIFIED AS FOLLOWS: TRANSACTIONS THAT WOULD BE TREATED AS REVENUES OR EXPENDITURES IF THEY INVOLVED EXTERNAL ORGANIZATIONS, SUCH AS BUYING GOODS AND SERVICES OR PAYMENTS IN LIEU OF TAXES, ARE SIMILARLY TREATED WHEN THEY INVOLVE OTHER FUNDS OF THE CITY.

4. TRANSFERS TO SUPPORT THE OPERATIONS OF OTHER FUNDS ARE RECORDED AS "OPERATING TRANSFERS" AND CLASSIFIED WITH "OTHER FINANCING SOURCES OR USES."

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5. NONREVENUES AND NONEXPENDITURES. THE CITY'S NONREVENUES AND NONEXPENDITURES CONSIST OF INVESTMENT PROCEEDS AND PURCHASES.

L. RISK MANAGEMENT - SEE OTHER DISCLOSURES - NOTE 9

M. RESERVED FUND BALANCE

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

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

THERE HAVE BEEN NO MATERIAL VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS, AND THERE HAVE BEEN NO EXPENDITURES EXCEEDING LEGAL APPROPRIATIONS IN ANY OF THE FUNDS OF THE CITY.

NOTE 3 - INVESTMENTS

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

INVESTMENTS BY TYPE AT DECEMBER 31, 2013 ARE AS FOLLOWS:

<u>TYPE OF INVESTMENT</u>	<u>BALANCE</u>
LOCAL GOVERNMENT INVESTMENT POOL	\$2,091,494.21
TIMBERLAND (SAVINGS)	<u>387,366.03</u>
TOTAL	<u>\$2,478,860.24</u>

NOTE 4 - PROPERTY TAXES

THE COUNTY TREASURER ACTS AS AN AGENT TO COLLECT PROPERTY TAX LEVIED IN THE COUNTY FOR ALL TAXING AUTHORITIES. COLLECTIONS ARE DISTRIBUTED AFTER THE END OF EACH MONTH.

PROPERTY TAX CALENDAR

JANUARY 01 TAXES ARE LEVIED AND BECOME AN ENFORCEABLE LIEN AGAINST PROPERTIES.



FEBRUARY 14            TAX BILLS ARE MAILED.

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APRIL 30            FIRST OF TWO EQUAL INSTALLMENT PAYMENTS IS DUE.

MAY 31            ASSESSED VALUE OF PROPERTY ESTABLISHED FOR NEXT  
YEAR'S LEVY AT 100 PERCENT OF MARKET VALUE.

NOVEMBER 01        SECOND INSTALLMENT IS DUE.

PROPERTY TAX REVENUES ARE RECOGNIZED WHEN CASH IS COLLECTED.  
PROPERTY TAXES RECEIVABLE ARE SHOWN IN THE ACCOMPANYING SCHEDULE  
OF REAL AND PERSONAL PROPERTY TAXES. DELINQUENT TAXES ARE  
CONSIDERED FULLY COLLECTIBLE BECAUSE A LIEN AFFIXES TO THE  
PROPERTY WHEN TAXES ARE LEVIED.

THE CITY REGULAR LEVY IS BASED ON ASSESSED VALUATION  
FOR GENERAL GOVERNMENTAL SERVICES, SUBJECT TO TWO LIMITATIONS:

(A). WASHINGTON STATE LAW IN RCW 84.55.010 LIMITS THE  
GROWTH OF REGULAR PROPERTY TAXES TO 1 PERCENT PER YEAR, AFTER  
ADJUSTMENTS FOR NEW CONSTRUCTION. IF THE ASSESSED VALUATION  
INCREASES BY MORE THAN 1 PERCENT DUE TO OVERVALUATION THE LEVY  
RATE WILL BE DECREASED.

(B). THE WASHINGTON STATE CONSTITUTION LIMITS THE  
TOTAL REGULAR PROPERTY TAXES TO 1 PERCENT OF ASSESSED VALUATION OR  
\$10 PER \$1,000.00 OF VALUE. IF THE TAXES OF ALL DISTRICTS EXCEED  
THIS AMOUNT, EACH IS PROPORTIONATELY REDUCED UNTIL THE TOTAL IS AT  
OR BELOW THE 1 PERCENT LIMIT.

THE CITY'S REGULAR LEVY FOR 2013 WAS \$2.9494486 PER  
\$1,000.00 ON AN ASSESSED VALUATION OF 194,500,422 FOR A TOTAL  
REGULAR LEVY OF \$573,669.00.

NOTE 5 - INTERFUND LOANS AND ADVANCES

AN INTERFUND LOAN WAS APPROVED FROM WATER/SEWER CONSTRUCTION TO  
HOTEL/MOTEL TAX FUND TO PURCHASE PROPERTY AT 3<sup>RD</sup> & MAIN. THIS  
PROPERTY HOSTS THE ELMA CHAMBER OF COMMERCE TOURISM STATION. THE  
LOAN WILL BE PAID IN FULL IN 2013.

THE FOLLOWING TABLE DISPLAYS INTERFUND LOAN ACTIVITY DURING 2013;

<u>BORROWING</u>	<u>LENDING</u>	<u>BALANCE</u>			<u>BALANCE</u>
<u>FUND</u>	<u>FUND</u>	<u>1/1/2013</u>	<u>NEW LOANS</u>	<u>REPAYMENTS</u>	<u>12/31/2013</u>

106                      402                      \$10,000.00                      -0-                      10,000.00                      \$                      -0-

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NOTE 6 - LONG TERM DEBT

(A) LONG TERM DEBT

THE ACCOMPANYING SCHEDULES OF LONG-TERM DEBT PROVIDE A LISTING OF THE OUTSTANDING DEBT OF THE CITY AND SUMMARIZES THE CITY'S DEBT TRANSACTIONS FOR 2013. THE ELMA CITY COUNCIL VOTED TO TAKE THE BALANCE IN THE LIBRARY BUILDING FUND AND TRANSFER TO G.O. BONDS TO PAY DOWN ON THE PRINCIPAL. ANNUAL REQUIREMENTS TO AMORTIZE OUTSTANDING DEBT, EXCLUDING INTEREST, ARE AS FOLLOWS:

YEAR	PUB.WORKS TRUST FUND	REVENUE WWTP)2022	TOTAL DEBT
2014	18,050.62	134,451.94	152,502.56
2015	18,050.61	134,451.94	152,502.55
2016	18,050.61	134,451.94	152,502.55
2017	18,050.61	134,451.94	152,502.55
2018	18,050.62	134,451.94	152,502.55
2019-2022	-0-	739,485.61	739,485.62
TOTAL	\$90,253.07	\$1,411,745.31	\$1,501,998.38

NOTE 7 - PENSION PLANS

SUBSTANTIALLY ALL FULL TIME CITY EMPLOYEES AND QUALIFYING PART TIME EMPLOYEES ARE COVERED UNDER ONE OF THE FOLLOWING STATEWIDE LOCAL GOVERNMENTAL RETIREMENT SYSTEMS ADMINISTERED BY THE DEPARTMENT OF RETIREMENTS SYSTEMS, UNDER COST-SHARING MULTIPLE-EMPLOYER PUBLIC EMPLOYEE RETIREMENT SYSTEMS. ACTUARIAL INFORMATION IS ON A SYSTEM-WIDE BASIS AND IS NOT CONSIDERED PERTINENT TO THE CITY'S FINANCIAL STATEMENTS. CONTRIBUTIONS TO THE SYSTEMS BY BOTH EMPLOYEE AND EMPLOYER ARE BASED UPON GROSS WAGES COVERED BY PLAN BENEFITS.

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

DEPARTMENT OF RETIREMENT SYSTEMS  
COMMUNICATIONS UNIT  
P.O. BOX 48380  
OLYMPIA, WA 98504-8380

NOTE 8 - OTHER DISCLOSURES - DEFERRED COMPENSATION PLAN

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

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

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

NOTE 9 - OTHER DISCLOSURES - RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

A BOARD OF DIRECTORS GOVERNS WCIA, WHICH IS COMPRISED OF ONE DESIGNATED REPRESENTATIVE FROM EACH MEMBER. THE BOARD ELECTS AN EXECUTIVE COMMITTEE AND APPOINTS A TREASURER TO

PROVIDE GENERAL POLICY DIRECTION FOR THE ORGANIZATION. THE WCIA EXECUTIVE DIRECTOR REPORTS TO THE EXECUTIVE COMMITTEE AND IS RESPONSIBLE FOR CONDUCTING THE DAY TO DAY OPERATIONS OF WCIA.

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NOTE 10 - OTHER DISCLOSURES

CONTINGENCIES AND LITIGATION

THE CITY PARTICIPATES IN A NUMBER OF FEDERAL- AND STATE-ASSISTED PROGRAMS. THESE GRANTS ARE SUBJECT TO AUDIT BY THE GRANTORS OR THEIR REPRESENTATIVES. SUCH AUDITS COULD RESULT IN REQUESTS FOR REIMBURSEMENT TO GRANTOR AGENCIES FOR EXPENDITURES DISALLOWED UNDER THE TERMS OF THE GRANTS. OTHER THAN THE INSTANCES DESCRIBED ABOVE, CITY MANAGEMENT BELIEVES THAT SUCH DISALLOWANCES, IF ANY, WILL BE IMMATERIAL.

THE CITY RECEIVED SEVERAL CLAIMS FROM IRA HARTFORD IN 2013 TOTALING \$4,250,000. THESE CLAIMS ARE COVERED UNDER WASHINGTON CITIES INSURANCE AUTHORITY.

CORRECTION OF MATERIAL ERRORS IN PREVIOUS YEARS

THE 2012 ENDING FUND BALANCE/2013 BEGINNING FUND BALANCE IN CURRENT EXPENSE AND WATER/SEWER WERE INCORRECTLY REPORTED ONLINE. THE CURRENT EXPENSE FUND HAS \$200, AND WATER/SEWER FUND HAS \$150 IN CASH DRAWERS TOTALING \$350 AND THIS AMOUNT WAS INADVERTENTLY RECORDED TWICE IN THE 2012 ONLINE ANNUAL REPORT , WHICH OVERSTATED CURRENT EXPENSE FUND BY \$200 AND WATER/SEWER FUND BY \$150. THE PAPER COPY OF THE 2012 ANNUAL REPORT IS CORRECT, AND THE 2013 BEGINNING FUND BALANCES ARE STATED CORRECTLY ONLINE.

CITY OF ELMA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 1, 2012 THROUGH DECEMBER 31, 2012

THE FOLLOWING NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE CITY OF ELMA OPERATES UNDER THE LAWS OF THE STATE OF WASHINGTON APPLICABLE TO A CATEGORY TWO THIRD CLASS NONCHARTER CODE CITY. THE FOLLOWING IS A SUMMARY OF THE MORE SIGNIFICANT POLICIES, INCLUDING IDENTIFICATION OF THOSE POLICIES WHICH RESULT IN MATERIAL DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

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

A. BASIS OF PRESENTATION-FUND ACCOUNTING

THE ACCOUNTS OF THE CITY OF ELMA ARE ORGANIZED ON THE BASIS OF FUNDS, EACH OF WHICH IS CONSIDERED A SEPARATE ACCOUNTING ENTITY. EACH FUND IS ACCOUNTED FOR WITH A SEPARATE SET OF SINGLE-ENTRY ACCOUNTS THAT COMPRISES ITS CASH, INVESTMENTS, REVENUES AND EXPENDITURES OR EXPENSES, AS APPROPRIATE. THE CITY'S RESOURCES ARE ALLOCATED TO AND ACCOUNTED FOR IN INDIVIDUAL FUNDS DEPENDING ON WHAT THEY ARE TO BE SPENT FOR AND HOW THEY ARE CONTROLLED. THE FOLLOWING ARE FUND TYPES USED BY THE CITY:

GOVERNMENTAL FUND TYPES

GOVERNMENTAL FUND OPERATING STATEMENTS FOCUS ON MEASURING CHANGES IN FINANCIAL POSITION, RATHER THAN NET INCOME; THEY REPRESENT INCREASES (REVENUES AND OTHER FINANCING SOURCES) AND DECREASES (EXPENDITURES AND OTHER FINANCING USES) IN NET CURRENT ASSETS.

GENERAL OR CURRENT EXPENSE FUND (FUND NUMBER 001)

THIS FUND IS THE PRIMARY OPERATING FUND OF THE CITY. IT ACCOUNTS FOR ALL FINANCIAL RESOURCES AND TRANSACTIONS, EXCEPT THOSE REQUIRED OR ELECTED TO BE ACCOUNTED FOR IN ANOTHER FUND.

SPECIAL REVENUE FUNDS (FUNDS IN THE 100 SERIES AND CERTAIN FUNDS IN THE 400 SERIES)

THESE FUNDS ACCOUNT FOR SPECIFIC REVENUE SOURCES THAT ARE RESTRICTED OR COMMITTED TO EXPENDITURES FOR SPECIFIED PURPOSES OF THE CITY OF ELMA.

DEBT SERVICE FUNDS (FUNDS IN THE 200 SERIES)

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

CAPITAL PROJECTS FUND

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

PROPRIETARY FUND TYPES

ENTERPRISE FUNDS (FUNDS IN THE 400 SERIES)

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

FIDUCIARY FUND TYPE

AGENCY FUNDS (FUNDS IN THE 600 SERIES)

THESE FUNDS ARE USED TO ACCOUNT FOR CASH AND OTHER ASSETS RECEIVED AND HELD BY THE CITY ACTING IN A TRUSTEE CAPACITY OR AS AN AGENT ON BEHALF OF OTHERS.

GENERAL LONG-TERM DEBT

THE CITY ACCOUNTS FOR ITS LONG-TERM DEBT IN BOND RECORDS AND THE RESULTS ARE REPORTED IN THE ACCOMPANYING LONG-TERM DEBT SCHEDULE. PROPRIETARY LONG-TERM DEBT IS ACCOUNTED FOR IN THE APPROPRIATE FUND.

B. BASIS OF ACCOUNTING

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

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

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

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

C. BUDGETS AND BUDGETARY ACCOUNTING

1. SCOPE OF BUDGET

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

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

2. PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET

THE CITY'S BUDGET PROCEDURES ARE MANDATED BY CHAPTERS 35A.33 RCW. THE STEPS IN THE BUDGET PROCESS ARE AS FOLLOWS:

(A) PRIOR TO NOVEMBER 1, THE CLERK-TREASURER SUBMITS A PROPOSED BUDGET TO THE CITY COUNCIL. THIS BUDGET IS BASED ON PRIORITIES ESTABLISHED BY THE COUNCIL AND ESTIMATES PROVIDED BY CITY DEPARTMENTS DURING THE PRECEDING MONTHS, AND BALANCED WITH REVENUE ESTIMATES MADE BY THE CLERK-TREASURER.

(B) THE COUNCIL CONDUCTS PUBLIC HEARINGS ON THE PROPOSED BUDGET IN DECEMBER.

(C) THE COUNCIL MAKES ITS ADJUSTMENTS TO THE PROPOSED BUDGET AND ADOPTS BY ORDINANCE A FINAL BALANCED BUDGET NO LATER THAN DECEMBER 31.

(D) WITHIN 30 DAYS OF ADOPTION, THE FINAL BUDGET IS AVAILABLE TO THE PUBLIC.

THE APPROPRIATED AND ACTUAL EXPENDITURES FOR THE LEGALLY ADOPTED BUDGETS WERE AS FOLLOWS:



<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>			
510 Department	\$ 386,909.00	\$ 332,795.24	\$ 54,113.76
520 Department	\$1,207,017.00	\$1,109,752.50	\$ 97,264.50
530 Department	\$ 7,000.00	\$ 5,490.26	\$ 1,509.74
550- 560 Department	\$ 23,206.00	\$ 12,984.92	\$ 10,221.08
570 Department	\$ 89,375.00	\$ 81,147.52	8,227.48
<b>Total General Fund</b>	<b>\$1,713,507.00</b>	<b>\$1,542,170.44</b>	<b>\$ 171,336.56</b>
102 Fund	\$ 787,500.00	\$ 470,125.48	\$ 317,374.52
103 Fund	\$ 52,175.00	\$ 46,006.81	\$ 6,168.19
106 Fund	\$ 107,000.00	\$ 102,736.27	\$ 4,263.73
109 Fund	\$ 100,000.00	\$ 39,390.06	\$ 60,609.94
201 Fund	\$ 53,575.00	\$ 37,327.50	\$ 16,247.50
401 Fund	\$2,246,451.00	\$1,460,355.71	\$ 786,095.29
407 Fund	\$ 189,625.00	\$ 187,676.02	1,948.98

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

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

WHEN THE COUNCIL DETERMINES THAT IT IS IN THE BEST INTEREST OF THE CITY TO INCREASE OR DECREASE THE APPROPRIATION FOR A PARTICULAR FUND/DEPARTMENT, IT MAY DO SO BY ORDINANCE APPROVED BY A SIMPLE MAJORITY AFTER HOLDING TWO PUBLIC MEETINGS.

THE BUDGET AMOUNTS SHOWN IN THE FINANCIAL STATEMENTS ARE THE FINAL AUTHORIZED AMOUNTS AS REVISED DURING THE YEAR.

THE CITY RECEIVES MONTHLY STATE AND COUNTY FUNDS FROM THE ELMA MUNICIPAL COURT THAT ARE REMITTED MONTHLY TO THE STATE AND COUNTY. IN FUND 652, THEY ARE RECEIPTED IN FROM THE COURT AND THEN EXPENDED, SHOWING A -0- BALANCE ON THE ANNUAL REPORT.

D. ASSETS, LIABILITIES AND EQUITIES  
     1. CASH AND CASH EQUIVALENTS

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. AT DECEMBER 31, 2012, THE TREASURER WAS HOLDING \$2,474,806.89 RESPECTIVELY, IN SHORT-TERM RESIDUAL INVESTMENTS OF SURPLUS CASH. THIS AMOUNT IS INCLUDED IN THE NET CASH AND INVESTMENTS SHOWN ON THE STATEMENTS OF FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS. THE INTEREST ON THESE INVESTMENTS IS DIVIDED AMONG THE FUNDS THAT HAVE A BALANCE OF 1% OR MORE OF TOTAL INVESTED.

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

E. DEPOSITS

AS REQUIRED BY STATE LAW, ALL DEPOSITS AND INVESTMENTS OF THE CITY'S FUNDS ARE OBLIGATIONS OF THE U.S. GOVERNMENT, THE STATE TREASURER'S POOL OR DEPOSITS WITH WASHINGTON STATE BANKS AND SAVINGS AND LOAN INSTITUTIONS.

THE CITY'S DEPOSITS AND CERTIFICATES OF DEPOSITS ARE ENTIRELY COVERED BY FEDERAL DEPOSITORY INSURANCE (FDIC) AND/ OR BY COLLATERAL HELD IN A MULTIPLE FINANCIAL INSTITUTIONS COLLATERAL

POOL ADMINISTERED BY THE WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION (PDIC).

F. INVESTMENTS

THE CITY'S INVESTMENTS ARE EITHER INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE CITY'S NAME. THE FOLLOWING SUMMARY SHOWS THE INVESTMENTS AT YEAR-END CATEGORIZED BY RISK.

CATEGORY 1 INCLUDES INVESTMENTS THAT ARE EITHER INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE CITY'S NAME.

<u>2012 CATEGORY</u>		<u>CARRYING</u> <u>AMOUNT</u>	<u>MARKET</u> <u>VALUE</u>
INVESTMENTS	1	\$ 386,625.55	\$ 386,625.55
L.G.I.P.		2,088,181.34	2,088,181.34
 TOTAL INVESTMENTS		 \$2,474,806.89	 2,474,806.89

G. DERIVATIVES AND SIMILAR TRANSACTIONS

NONE

H. CAPITAL ASSETS

CAPITAL ASSETS ARE LONG-LIVED ASSETS OF THE CITY AND ARE RECORDED AS EXPENDITURES WHEN PURCHASED.0

I. COMPENSATED ABSENCES

THE CITY DOES NOT RECORD ACCUMULATED UNUSED VACATION, SICK, HOLIDAY, AND COMPENSATORY TIME IN ITS GOVERNMENTAL OR PROPRIETARY FUNDS.

VACATION LEAVE ACCRUAL: ONE YEAR - 40 HOURS, TWO YEARS OR MORE - 80 HOURS, FIVE YEARS OR MORE - 120 HOURS, TEN YEARS OR MORE - 160 HOURS - ACCRUED VACATION TO BE PAID TO EMPLOYEE UPON SEPARATION.

SICK LEAVE ACCRUES AT 8 HOURS PER MONTH TO A MAXIMUM OF 960 HOURS WITH A MAXIMUM OF ONE THIRD (1/3) BEING PAID UPON RETIREMENT. EMPLOYEES DO NOT RECEIVE PAYMENT FOR UNUSED SICK LEAVE IF NOT RETIRING.

J. LONG TERM DEBT - SEE LONG TERM DEBT- NOTE 6

K. OTHER FINANCING SOURCES OR USES

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

2. THE ACCOMPANYING SCHEDULES OF FINANCIAL ASSISTANCE PROVIDE A LISTING OF ALL STATE AND FEDERAL ASSISTANCE PROGRAMS IN WHICH THE CITY PARTICIPATES, AND SUMMARIZES THE CITY'S GRANT TRANSACTIONS FOR 2012.

3. INTERFUND TRANSACTIONS ARE CLASSIFIED AS FOLLOWS: TRANSACTIONS THAT WOULD BE TREATED AS REVENUES OR EXPENDITURES IF THEY INVOLVED EXTERNAL ORGANIZATIONS, SUCH AS BUYING GOODS AND SERVICES OR PAYMENTS IN LIEU OF TAXES, ARE SIMILARLY TREATED WHEN THEY INVOLVE OTHER FUNDS OF THE CITY.

4. TRANSFERS TO SUPPORT THE OPERATIONS OF OTHER FUNDS ARE RECORDED AS "OPERATING TRANSFERS" AND CLASSIFIED WITH "OTHER FINANCING SOURCES OR USES."

FINANCIAL NOTES - PAGE 7

5. NONREVENUES AND NONEXPENDITURES. THE CITY'S NONREVENUES AND NONEXPENDITURES CONSIST OF INVESTMENT PROCEEDS AND PURCHASES.

L. RISK MANAGEMENT - SEE OTHER DISCLOSURES - NOTE 9

M. RESERVED FUND BALANCE

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

THE BEGINNING RESERVE BALANCE FOR 201 G.O. BOND IS MONEY THAT HAS BEEN SET ASIDE TO PAY THE LIBRARY BOND.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

THERE HAVE BEEN NO MATERIAL VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS, AND THERE HAVE BEEN NO EXPENDITURES EXCEEDING LEGAL APPROPRIATIONS IN ANY OF THE FUNDS OF THE CITY.

NOTE 3 - INVESTMENTS

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

INVESTMENTS BY TYPE AT DECEMBER 31, 2012 ARE AS FOLLOWS:

<u>TYPE OF INVESTMENT</u>	<u>BALANCE</u>
LOCAL GOVERNMENT INVESTMENT POOL	\$2,088,181.34
TIMBERLAND (SAVINGS)	<u>386,625.55</u>
TOTAL	<u>\$2,474,806.89</u>

NOTE 4 - PROPERTY TAXES

THE COUNTY TREASURER ACTS AS AN AGENT TO COLLECT PROPERTY TAX LEVIED IN THE COUNTY FOR ALL TAXING AUTHORITIES. COLLECTIONS ARE DISTRIBUTED AFTER THE END OF EACH MONTH.

PROPERTY TAX CALENDAR

JANUARY 01	TAXES ARE LEVIED AND BECOME AN ENFORCEABLE LIEN AGAINST PROPERTIES.
FEBRUARY 14	TAX BILLS ARE MAILED.

FINANCIAL NOTES - PAGE 8

APRIL 30            FIRST OF TWO EQUAL INSTALLMENT PAYMENTS IS DUE.

MAY 31             ASSESSED VALUE OF PROPERTY ESTABLISHED FOR NEXT  
YEAR'S LEVY AT 100 PERCENT OF MARKET VALUE.

NOVEMBER 01        SECOND INSTALLMENT IS DUE.

PROPERTY TAX REVENUES ARE RECOGNIZED WHEN CASH IS COLLECTED. PROPERTY TAXES RECEIVABLE ARE SHOWN IN THE ACCOMPANYING SCHEDULE OF REAL AND PERSONAL PROPERTY TAXES. DELINQUENT TAXES ARE CONSIDERED FULLY COLLECTIBLE BECAUSE A LIEN AFFIXES TO THE PROPERTY WHEN TAXES ARE LEVIED.

THE CITY REGULAR LEVY FOR THE YEAR 2012 UP TO \$3.75 PER \$1,000.00 ON ASSESSED VALUATION FOR GENERAL GOVERNMENTAL SERVICES, SUBJECT TO TWO LIMITATIONS:

(A). WASHINGTON STATE LAW IN RCW 84.55.010 LIMITS THE GROWTH OF REGULAR PROPERTY TAXES TO 1 PERCENT PER YEAR, AFTER ADJUSTMENTS FOR NEW CONSTRUCTION. IF THE ASSESSED VALUATION INCREASES BY MORE THAN 1 PERCENT DUE TO OVERVALUATION THE LEVY RATE WILL BE DECREASED.

(B). THE WASHINGTON STATE CONSTITUTION LIMITS THE TOTAL REGULAR PROPERTY TAXES TO 1 PERCENT OF ASSESSED VALUATION OR \$10 PER \$1,000.00 OF VALUE. IF THE TAXES OF ALL DISTRICTS EXCEED THIS AMOUNT, EACH IS PROPORTIONATELY REDUCED UNTIL THE TOTAL IS AT OR BELOW THE 1 PERCENT LIMIT.

THE CITY'S REGULAR LEVY FOR 2012 WAS \$2.53396 PER \$1,000.00 ON AN ASSESSED VALUATION OF 223,302,325 FOR A TOTAL REGULAR LEVY OF \$565,839.00.

NOTE 5 - INTERFUND LOANS AND ADVANCES

AN INTERFUND LOAN WAS APPROVED FROM WATER/SEWER CONSTRUCTION TO HOTEL/MOTEL TAX FUND TO PURCHASE PROPERTY AT 3<sup>RD</sup> & MAIN. THIS PROPERTY HOSTS THE ELMA CHAMBER OF COMMERCE TOURISM STATION.

THE FOLLOWING TABLE DISPLAYS INTERFUND LOAN ACTIVITY DURING 2012;

<u>BORROWING</u> <u>FUND</u>	<u>LENDING</u> <u>FUND</u>	<u>BALANCE</u> <u>1/1/2012</u>	<u>NEW LOANS</u>	<u>REPAYMENTS</u>	<u>BALANCE</u> <u>12/31/2012</u>
106	402	\$45,000.00	-0-	35,000.00	\$10,000.00

NOTE 6 - LONG TERM DEBT

THE ACCOMPANYING SCHEDULES OF LONG-TERM DEBT PROVIDE A LISTING OF THE OUTSTANDING DEBT OF THE CITY AND SUMMARIZES THE CITY'S DEBT TRANSACTIONS FOR 2012. THE ELMA CITY COUNCIL VOTED TO TAKE THE BALANCE IN THE LIBRARY BUILDING FUND AND TRANSFER TO G.O. BONDS TO PAY DOWN ON THE PRINCIPAL. AN ADDITIONAL AMOUNT OF \$15,000.00 WAS PAID TOWARDS THE G.O. BOND (LIBRARY) PRINCIPAL IN 2005. ANNUAL REQUIREMENTS TO AMORTIZE OUTSTANDING DEBT, EXCLUDING INTEREST, ARE AS FOLLOWS:

YEAR	G.O.BOND DEBT -2012	PUB.WORKS TRUST FUND	REVENUE WWTP)2022	TOTAL DEBT
2013	-0-	18,050.61	134,451.94	152,502.55
2014		18,050.62	134,451.94	152,502.56
2015		18,050.61	134,451.94	152,502.55
2016		18,050.61	134,451.94	152,502.55
2017		18,050.61	134,451.94	152,502.55
2017-2022		18,050.62	873,937.55	891,988.17
TOTAL	\$ -0-	108,303.68	\$1,546,197.25	\$1,654,500.93

NOTE 7 - PENSION PLANS

SUBSTANTIALLY ALL FULL TIME CITY EMPLOYEES AND QUALIFYING PART TIME EMPLOYEES ARE COVERED UNDER ONE OF THE FOLLOWING STATEWIDE LOCAL GOVERNMENTAL RETIREMENT SYSTEMS ADMINISTERED BY THE DEPARTMENT OF RETIREMENTS SYSTEMS, UNDER COST-SHARING MULTIPLE-EMPLOYER PUBLIC EMPLOYEE RETIREMENT SYSTEMS. ACTUARIAL INFORMATION IS ON A SYSTEM-WIDE BASIS AND IS NOT CONSIDERED PERTINENT TO THE CITY'S FINANCIAL STATEMENTS. CONTRIBUTIONS TO THE SYSTEMS BY BOTH EMPLOYEE AND EMPLOYER ARE BASED UPON GROSS WAGES COVERED BY PLAN BENEFITS.

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

DEPARTMENT OF RETIREMENT SYSTEMS  
COMMUNICATIONS UNIT  
P.O. BOX 48380  
OLYMPIA, WA 98504-8380

NOTE 8 - OTHER DISCLOSURES - DEFERRED COMPENSATION PLAN

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

COMPENSATION DEFERRED UNDER THE PLAN AND ALL INCOME ATTRIBUTABLE TO THE PLANS IS SOLELY THE PROPERTY OF THE CITY OF ELMA. THE CITY'S RIGHTS TO THIS PROPERTY ARE SUBJECT ONLY TO THE CLAIMS OF CITY'S GENERAL CREDITORS UNTIL PAID TO THE EMPLOYEE OR

NOTE -8- OTHER DISCLOSURES - DEFERRED COMP PLAN CONTINUED

OTHER BENEFICIARY AND ARE NOT RESTRICTED TO THE BENEFIT PROVISIONS UNDER THESE PLANS.

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

NOTE 9 - OTHER DISCLOSURES - RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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



NOTE 10 - OTHER DISCLOSURES - CONTINGENCIES AND LITIGATION

CONTINGENCIES AND LITIGATION

THE CITY PARTICIPATES IN A NUMBER OF FEDERAL- AND STATE-ASSISTED PROGRAMS. THESE GRANTS ARE SUBJECT TO AUDIT BY THE GRANTORS OR THEIR REPRESENTATIVES. SUCH AUDITS COULD RESULT IN REQUESTS FOR REIMBURSEMENT TO GRANTOR AGENCIES FOR EXPENDITURES DISALLOWED UNDER THE TERMS OF THE GRANTS. OTHER THAN THE INSTANCES DESCRIBED ABOVE, CITY MANAGEMENT BELIEVES THAT SUCH DISALLOWANCES, IF ANY, WILL BE IMMATERIAL.

CITY OF ELMA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

THE FOLLOWING NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE CITY OF ELMA OPERATES UNDER THE LAWS OF THE STATE OF WASHINGTON APPLICABLE TO A CATEGORY TWO THIRD CLASS NONCHARTER CODE CITY. THE FOLLOWING IS A SUMMARY OF THE MORE SIGNIFICANT POLICIES, INCLUDING IDENTIFICATION OF THOSE POLICIES WHICH RESULT IN MATERIAL DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

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

A. BASIS OF PRESENTATION-FUND ACCOUNTING

THE ACCOUNTS OF THE CITY ARE ORGANIZED ON THE BASIS OF FUNDS, EACH OF WHICH IS CONSIDERED A SEPARATE ACCOUNTING ENTITY. EACH FUND IS ACCOUNTED FOR WITH A SEPARATE SET OF SINGLE-ENTRY ACCOUNTS THAT COMPRISES ITS CASH, INVESTMENTS, REVENUES AND EXPENDITURES OR EXPENSES, AS APPROPRIATE. THE CITY'S RESOURCES ARE ALLOCATED TO AND ACCOUNTED FOR IN INDIVIDUAL FUNDS DEPENDING ON WHAT THEY ARE TO BE SPENT FOR AND HOW THEY ARE CONTROLLED. THE FOLLOWING ARE FUND TYPES USED BY THE CITY:

GOVERNMENTAL FUND TYPES

GOVERNMENTAL FUND OPERATING STATEMENTS FOCUS ON MEASURING CHANGES IN FINANCIAL POSITION, RATHER THAN NET INCOME; THEY REPRESENT INCREASES (REVENUES AND OTHER FINANCING SOURCES) AND DECREASES (EXPENDITURES AND OTHER FINANCING USES) IN NET CURRENT ASSETS.

GENERAL OR CURRENT EXPENSE FUND (FUND NUMBER 001)

THIS FUND IS THE GENERAL OPERATING FUND OF THE CITY. IT ACCOUNTS FOR ALL FINANCIAL RESOURCES AND TRANSACTIONS, EXCEPT THOSE REQUIRED OR ELECTED TO BE ACCOUNTED FOR IN ANOTHER FUND.

SPECIAL REVENUE FUNDS (FUNDS IN THE 100 SERIES AND CERTAIN FUNDS IN THE 400 SERIES)

THESE FUNDS ACCOUNT FOR SPECIFIC REVENUE SOURCES THAT ARE RESTRICTED OR COMMITTED TO EXPENDITURES FOR SPECIFIED PURPOSES OF THE CITY OF ELMA.

DEBT SERVICE FUNDS (FUNDS IN THE 200 SERIES)

THESE FUNDS ACCOUNT FOR THE ACCUMULATION OF RESOURCES TO PAY PRINCIPAL, INTEREST AND RELATED COSTS ON CERTAIN GENERAL LONG-TERM BONDED DEBT.

PROPRIETARY FUND TYPE

ENTERPRISE FUNDS (FUNDS IN THE 400 SERIES)

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

FIDUCIARY FUND TYPE

AGENCY FUNDS (FUNDS IN THE 600 SERIES)

THESE FUNDS ARE USED TO ACCOUNT FOR CASH AND OTHER ASSETS RECEIVED AND HELD BY THE CITY ACTING IN THE CAPACITY OF CUSTODIAN.

GENERAL LONG-TERM DEBT

THE CITY ACCOUNTS FOR ITS LONG-TERM DEBT IN BOND RECORDS AND THE RESULTS ARE REPORTED IN THE ACCOMPANYING LONG-TERM DEBT SCHEDULE. PROPRIETARY LONG-TERM DEBT IS ACCOUNTED FOR IN THE APPROPRIATE FUND.

B. BASIS OF ACCOUNTING

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

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

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

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

C. BUDGETS AND BUDGETARY ACCOUNTING

1. SCOPE OF BUDGET

THE CITY OF ELMA ADOPTS ANNUAL APPROPRIATED BUDGETS FOR ALL FUNDS. BUDGETARY ACCOUNTS ARE INTEGRATED IN FUND LEDGERS FOR ALL BUDGETED FUNDS AND THE FINANCIAL STATEMENTS INCLUDE BUDGETARY COMPARISONS FOR ALL GOVERNMENTAL FUNDS.

ANNUAL APPROPRIATED BUDGETS ARE ADOPTED AT THE LEVEL OF THE FUND, WHERE EXPENDITURES MAY NOT EXCEED APPROPRIATIONS AT THE DEPARTMENT LEVEL AND THE BUDGETS CONSTITUTE THE LEGAL AUTHORITY FOR EXPENDITURE AT THAT LEVEL. SUBSIDIARY REVENUE AND EXPENDITURES ARE USED TO COMPARE THE BUDGETED AMOUNTS WITH ACTUAL REVENUES AND EXPENDITURES. AS A MANAGEMENT CONTROL DEVICE, THE SUBSIDIARY LEDGERS MONITOR EXPENDITURES FOR INDIVIDUAL FUNCTIONS AND ACTIVITIES BY OBJECT CLASS. ANNUAL APPROPRIATIONS FOR GENERAL, SPECIAL REVENUE AND PROPRIETARY FUNDS LAPSE AT YEAR END.

2. PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET

THE CITY'S BUDGET PROCEDURES ARE MANDATED BY CHAPTERS 35A.33 RCW. THE STEPS IN THE BUDGET PROCESS ARE AS FOLLOWS:

(A) PRIOR TO NOVEMBER 1, THE CLERK-TREASURER SUBMITS A PROPOSED BUDGET TO THE CITY COUNCIL. THIS BUDGET IS BASED ON PRIORITIES ESTABLISHED BY THE COUNCIL AND ESTIMATES PROVIDED BY CITY DEPARTMENTS DURING THE PRECEDING MONTHS, AND BALANCED WITH REVENUE ESTIMATES MADE BY THE CLERK-TREASURER.

(B) THE COUNCIL CONDUCTS PUBLIC HEARINGS ON THE PROPOSED BUDGET IN DECEMBER.

(C) THE COUNCIL MAKES ITS ADJUSTMENTS TO THE PROPOSED BUDGET AND ADOPTS BY ORDINANCE A FINAL BALANCED BUDGET NO LATER THAN DECEMBER 31.

(D) WITHIN 30 DAYS OF ADOPTION, THE FINAL BUDGET IS AVAILABLE TO THE PUBLIC.

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>			
510 Department	\$ 375,794.00	\$ 360,980.58	\$ 14,813.42
520 Department	\$1,189,166.00	\$1,096,169.87	\$ 92,996.13
530 Department	\$ 8,930.00	\$ 4,561.27	\$ 4,368.73
550- 560 Department	\$ 25,400.00	\$ 18,448.93	\$ 6,951.07
570 Department	\$ 93,350.00	\$ 83,587.75	9,762.25
<b>Total General Fund</b>	<b>\$1,692,640.00</b>	<b>\$1,563,748.40</b>	<b>\$ 128,891.60</b>
102 Fund	\$ 577,500.00	\$ 368,703.53	\$ 208,796.47
103 Fund	\$ 51,175.00	\$ 43,934.65	\$ 7,240.35
106 Fund	\$ 150,600.00	\$ 83,972.59	\$ 66,627.41
109 Fund	\$ 80,000.00	\$ 47,254.26	\$ 32,745.74
201 Fund	\$ 56,950.00	\$ 55,826.00	\$ 1,124.00
401 Fund	\$2,239,983.00	\$1,402,382.54	\$ 837,600.46
407 Fund	\$ 165,075.00	\$ 144,632.07	20,442.93

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

THE CLERK- TREASURER IS AUTHORIZED TO TRANSFER BUDGETED AMOUNTS BETWEEN DEPARTMENTS 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 COUNCIL.

WHEN THE COUNCIL DETERMINES THAT IT IS IN THE BEST INTEREST OF THE CITY TO INCREASE OR DECREASE THE APPROPRIATION FOR A PARTICULAR FUND/DEPARTMENT, IT MAY DO SO BY ORDINANCE APPROVED BY A SIMPLE MAJORITY AFTER HOLDING TWO PUBLIC MEETINGS.

THE BUDGET AMOUNTS SHOWN IN THE FINANCIAL STATEMENTS ARE THE FINAL AUTHORIZED AMOUNTS AS REVISED DURING THE YEAR.

THE CITY RECEIVES MONTHLY STATE AND COUNTY FUNDS FROM THE ELMA MUNICIPAL COURT THAT ARE REMITTED MONTHLY TO THE STATE AND COUNTY. IN FUND 652, THEY ARE RECEIPTED IN FROM THE COURT AND THEN EXPENDED, SHOWING A -0- BALANCE ON THE ANNUAL REPORT.

D. ASSETS, LIABILITIES AND EQUITIES  
     1. CASH AND CASH EQUIVALENTS

IT IS THE CITY'S POLICY TO INVEST ALL TEMPORARY CASH SURPLUSES. AT DECEMBER 31, 2011, THE TREASURER WAS HOLDING \$2,893,861.46 RESPECTIVELY, IN SHORT-TERM RESIDUAL INVESTMENTS OF SURPLUS CASH. THIS AMOUNT IS INCLUDED IN THE NET CASH AND INVESTMENTS SHOWN ON THE STATEMENTS OF FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS. THE INTEREST ON THESE INVESTMENTS IS DIVIDED AMONG THE FUNDS THAT HAVE A BALANCE OF 1% OR MORE OF TOTAL INVESTED.

THE CITY HAS A REVOLVING PETTY CASH FUND SET UP IN CURRENT EXPENSE IN THE AMOUNT OF \$100.00. THIS AMOUNT IS INCLUDED IN THE C-4 BEGINNING FUND RESERVE BALANCE.

E. DEPOSITS

AS REQUIRED BY STATE LAW, ALL DEPOSITS AND INVESTMENTS OF THE CITY'S FUNDS ARE OBLIGATIONS OF THE U.S. GOVERNMENT, THE STATE TREASURER'S POOL OR DEPOSITS WITH WASHINGTON STATE BANKS AND SAVINGS AND LOAN INSTITUTIONS.

THE CITY'S DEPOSITS AND CERTIFICATES OF DEPOSITS ARE ENTIRELY COVERED BY FEDERAL DEPOSITORY INSURANCE (FDIC) AND/ OR BY COLLATERAL HELD IN A MULTIPLE FINANCIAL INSTITUTIONS COLLATERAL POOL ADMINISTERED BY THE WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION (PDIC).

F. INVESTMENTS

THE CITY'S INVESTMENTS ARE EITHER INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE CITY'S NAME. THE FOLLOWING SUMMARY SHOWS THE INVESTMENTS AT YEAR-END CATEGORIZED BY RISK.

CATEGORY 1 INCLUDES INVESTMENTS THAT ARE EITHER INSURED, REGISTERED OR HELD BY THE CITY OR ITS AGENT IN THE CITY'S NAME.

<u>2011</u> CATEGORY		CARRYING AMOUNT	MARKET VALUE
INVESTMENTS	1	\$ 385,401.08	\$ 385,401.08
L.G.I.P.		2,508,460.38	2,508,460.38
 TOTAL INVESTMENTS		 \$2,893,861.46	 2,893,861.46

G. DERIVATIVES AND SIMILAR TRANSACTIONS

NONE

H. CAPITAL ASSETS

CAPITAL ASSETS ARE LONG-LIVED ASSETS OF THE CITY AND ARE RECORDED AS EXPENDITURES WHEN PURCHASED.0

I. COMPENSATED ABSENCES

THE CITY DOES NOT RECORD ACCUMULATED UNUSED VACATION, SICK, HOLIDAY, AND COMPENSATORY TIME IN ITS GOVERNMENTAL OR PROPRIETARY FUNDS.

VACATION LEAVE ACCRUAL: ONE YEAR - 40 HOURS, TWO YEARS OR MORE - 80 HOURS, FIVE YEARS OR MORE - 120 HOURS, TEN YEARS OR MORE - 160 HOURS - ACCRUED VACATION TO BE PAID TO EMPLOYEE UPON SEPARATION. THE UNRECORDED LIABILITY FOR UNPAID VACATION BENEFITS AT DECEMBER 31, 2011 WAS APPROXIMATELY \$47,204.

SICK LEAVE ACCRUES AT 8 HOURS PER MONTH TO A MAXIMUM OF 960 HOURS WITH A MAXIMUM OF ONE THIRD (1/3) BEING PAID UPON RETIREMENT. THE UNRECORDED LIABILITY FOR SICK LEAVE BENEFITS AT DECEMBER 31, 2011 WAS APPROXIMATELY \$124,902.

THE UNRECORDED LIABILITY FOR COMPENSATORY TIME AT DECEMBER 31, 2011 WAS APPROXIMATELY \$6,269.

THE TOTAL UNRECORDED LIABILITY FOR UNPAID BENEFITS AT DECEMBER 31, 2011 WAS \$178,375.

J. LONG TERM DEBT - SEE LONG TERM DEBT- NOTE 6

K. OTHER FINANCING SOURCES OR USES

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

2. THE ACCOMPANYING SCHEDULES OF FINANCIAL ASSISTANCE PROVIDE A LISTING OF ALL STATE AND FEDERAL ASSISTANCE PROGRAMS IN WHICH THE CITY PARTICIPATES, AND SUMMARIZES THE CITY'S GRANT TRANSACTIONS FOR 2011.

3. INTERFUND TRANSACTIONS ARE CLASSIFIED AS FOLLOWS:  
TRANSACTIONS THAT WOULD BE TREATED AS REVENUES OR EXPENDITURES IF

FINANCIAL NOTES - PAGE 7

THEY INVOLVED EXTERNAL ORGANIZATIONS, SUCH AS BUYING GOODS AND SERVICES OR PAYMENTS IN LIEU OF TAXES, ARE SIMILARLY TREATED WHEN THEY INVOLVE OTHER FUNDS OF THE CITY.

4. TRANSFERS TO SUPPORT THE OPERATIONS OF OTHER FUNDS ARE RECORDED AS "OPERATING TRANSFERS" AND CLASSIFIED WITH "OTHER FINANCING SOURCES OR USES."

5. NONREVENUES AND NONEXPENDITURES. THE CITY'S NONREVENUES AND NONEXPENDITURES CONSIST OF INVESTMENT PROCEEDS AND PURCHASES.

L. RISK MANAGEMENT - SEE OTHER DISCLOSURES - NOTE 9

M. RESERVED FUND BALANCE

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

THE BEGINNING RESERVE BALANCE FOR 201 G.O. BOND IS MONEY THAT HAS BEEN SET ASIDE TO PAY THE LIBRARY BOND.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

THERE HAVE BEEN NO MATERIAL VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS, AND THERE HAVE BEEN NO EXPENDITURES EXCEEDING LEGAL APPROPRIATIONS IN ANY OF THE FUNDS OF THE CITY.

NOTE 3 - INVESTMENTS

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

INVESTMENTS BY TYPE AT DECEMBER 31, 2011 ARE AS FOLLOWS:

<u>TYPE OF INVESTMENT</u>	<u>BALANCE</u>
LOCAL GOVERNMENT INVESTMENT POOL	\$2,508,460.38
TIMBERLAND (SAVINGS)	<u>385,401.08</u>
TOTAL	<u>\$2,893,861.46</u>

NOTE 4 - PROPERTY TAXES

THE COUNTY TREASURER ACTS AS AN AGENT TO COLLECT PROPERTY TAX LEVIED IN THE COUNTY FOR ALL TAXING AUTHORITIES. COLLECTIONS ARE DISTRIBUTED AFTER THE END OF EACH MONTH.



PROPERTY TAX CALENDAR

JANUARY 01	TAXES ARE LEVIED AND BECOME AN ENFORCEABLE LIEN AGAINST PROPERTIES.
FEBRUARY 14	TAX BILLS ARE MAILED.
APRIL 30	FIRST OF TWO EQUAL INSTALLMENT PAYMENTS IS DUE.
MAY 31	ASSESSED VALUE OF PROPERTY ESTABLISHED FOR NEXT YEAR'S LEVY AT 100 PERCENT OF MARKET VALUE.
NOVEMBER 01	SECOND INSTALLMENT IS DUE.

PROPERTY TAX REVENUES ARE RECOGNIZED WHEN CASH IS COLLECTED. PROPERTY TAXES RECEIVABLE ARE SHOWN IN THE ACCOMPANYING SCHEDULE OF REAL AND PERSONAL PROPERTY TAXES. DELINQUENT TAXES ARE CONSIDERED FULLY COLLECTIBLE BECAUSE A LIEN AFFIXES TO THE PROPERTY WHEN TAXES ARE LEVIED.

THE CITY REGULAR LEVY FOR THE YEAR 2011 UP TO \$3.75 PER \$1,000.00 ON ASSESSED VALUATION FOR GENERAL GOVERNMENTAL SERVICES, SUBJECT TO TWO LIMITATIONS:

(A). WASHINGTON STATE LAW IN RCW 84.55.010 LIMITS THE GROWTH OF REGULAR PROPERTY TAXES TO 1 PERCENT PER YEAR, AFTER ADJUSTMENTS FOR NEW CONSTRUCTION. IF THE ASSESSED VALUATION INCREASES BY MORE THAN 1 PERCENT DUE TO OVERVALUATION THE LEVY RATE WILL BE DECREASED.

(B). THE WASHINGTON STATE CONSTITUTION LIMITS THE TOTAL REGULAR PROPERTY TAXES TO 1 PERCENT OF ASSESSED VALUATION OR \$10 PER \$1,000.00 OF VALUE. IF THE TAXES OF ALL DISTRICTS EXCEED THIS AMOUNT, EACH IS PROPORTIONATELY REDUCED UNTIL THE TOTAL IS AT OR BELOW THE 1 PERCENT LIMIT.

THE CITY'S REGULAR LEVY FOR 2011 WAS \$2.4745 PER \$1,000.00 ON AN ASSESSED VALUATION OF 223,859,491 FOR A TOTAL REGULAR LEVY OF \$553,945.00.

NOTE 5 - INTERFUND LOANS AND ADVANCES

AN INTERFUND LOAN WAS APPROVED FROM WATER/SEWER CONSTRUCTION TO HOTEL/MOTEL TAX FUND TO PURCHASE PROPERTY AT 3<sup>RD</sup> & MAIN. THIS PROPERTY HOSTS THE ELMA CHAMBER OF COMMERCE TOURISM STATION.

FINANCIAL NOTES - PAGE 9

THE FOLLOWING TABLE DISPLAYS INTERFUND LOAN ACTIVITY DURING 2011;

<u>BORROWING</u> <u>FUND</u>	<u>LENDING</u> <u>FUND</u>	<u>BALANCE</u> <u>1/1/2011</u>	<u>NEW LOANS</u>	<u>REPAYMENTS</u>	<u>BALANCE</u> <u>12/31/2011</u>
106	402	\$61,000.00	-0-	16,000.00	\$45,000.00

NOTE 6 - LONG TERM DEBT

THE ACCOMPANYING SCHEDULES OF LONG-TERM DEBT PROVIDE A LISTING OF THE OUTSTANDING DEBT OF THE CITY AND SUMMARIZES THE CITY'S DEBT TRANSACTIONS FOR 2012. THE ELMA CITY COUNCIL VOTED TO TAKE THE BALANCE IN THE LIBRARY BUILDING FUND AND TRANSFER TO G.O. BONDS TO PAY DOWN ON THE PRINCIPAL. AN ADDITIONAL AMOUNT OF \$15,000.00 WAS PAID TOWARDS THE G.O. BOND (LIBRARY) PRINCIPAL IN 2005. ANNUAL REQUIREMENTS TO AMORTIZE OUTSTANDING DEBT, EXCLUDING INTEREST, ARE AS FOLLOWS:

<u>YEAR</u>	<u>G.O.BOND</u> <u>DEBT -2012</u>	<u>PUB.WORKS</u> <u>TRUST FUND</u>	<u>REVENUE</u> <u>WWTP)2022</u>	<u>TOTAL</u> <u>DEBT</u>
2012	35,000.00	18,050.62	134,451.94	187,502.56
2013		18,050.61	134,451.94	152,502.55
2014		18,050.62	134,451.94	152,502.56
2015		18,050.61	134,451.94	152,502.55
2016		18,050.61	134,451.94	152,502.55
2017-2022		36,101.23	1,008,389.49	1,044,490.72
TOTAL	\$ 35,000.00	126,354.30	\$1,680,649.19	\$1,842,003.49

AS OF DECEMBER 31, 2011 THE CITY HAD \$29,049.75 AVAILABLE IN DEBT SERVICE FUNDS TO SERVICE THE GENERAL BONDED DEBT.

NOTE 7 - PENSION PLANS

SUBSTANTIALLY ALL FULL TIME CITY EMPLOYEES AND QUALIFYING PART TIME EMPLOYEES ARE COVERED UNDER ONE OF THE FOLLOWING STATEWIDE LOCAL GOVERNMENTAL RETIREMENT SYSTEMS ADMINISTERED BY THE DEPARTMENT OF RETIREMENTS SYSTEMS, UNDER COST-SHARING MULTIPLE-EMPLOYER PUBLIC EMPLOYEE RETIREMENT SYSTEMS. ACTUARIAL INFORMATION IS ON A SYSTEM-WIDE BASIS AND IS NOT CONSIDERED PERTINENT TO THE CITY'S FINANCIAL STATEMENTS.

FINANCIAL NOTES - PAGE 10  
NOTE - 7 PENSION PLANS CONTINUED

(A) PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS). PERS IS A CONTRIBUTORY RETIREMENT SYSTEM MANAGED BY THE STATE OF WASHINGTON. CONTRIBUTIONS TO THE SYSTEM BY BOTH EMPLOYEE AND EMPLOYER ARE BASED ON GROSS WAGES. THE CITY'S CONTRIBUTION IN 2003 REPRESENTS ITS FULL LIABILITY UNDER THE SYSTEM.

PERS CONTRIBUTION RATES FOR 2011 WERE AS FOLLOWS:

<u>PLAN TWO</u>	<u>EMPLOYEE</u>	<u>EMPLOYER</u>
EFFECTIVE 7/01/11	.0459	.0707
EFFECTIVE 9/01/11	.0464	.0725

(B) LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF) - THE LEOFF SYSTEM IS A MANDATORY CONTRIBUTORY SYSTEM OPERATED BY THE STATE OF WASHINGTON FOR ALL UNIFORMED LAW OFFICERS AND FIRE FIGHTERS. CONTRIBUTIONS TO THE SYSTEM BY BOTH EMPLOYEE AND EMPLOYER ARE BASED ON GROSS WAGES. THE CITY'S CONTRIBUTION REPRESENTS ITS FULL LIABILITY UNDER THE SYSTEM, EXCEPT FOR CERTAIN MEDICAL PREMIUMS WHICH ARE CONSIDERED IMMATERIAL.

LEOFF CONTRIBUTIONS RATES FOR 2011 WERE AS FOLLOWS:

<u>PLAN TWO</u>	<u>EMPLOYEE</u>	<u>EMPLOYER</u>
EFFECTIVE 9/01/09	.0846	.0524

NOTE 8 - OTHER DISCLOSURES - DEFERRED COMPENSATION PLAN

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

COMPENSATION DEFERRED UNDER THE PLAN AND ALL INCOME ATTRIBUTABLE TO THE PLANS IS SOLELY THE PROPERTY OF THE CITY OF ELMA. THE CITY'S RIGHTS TO THIS PROPERTY ARE SUBJECT ONLY TO THE CLAIMS OF CITY'S GENERAL CREDITORS UNTIL PAID TO THE EMPLOYEE OR

NOTE -8- OTHER DISCLOSURES - DEFERRED COMP PLAN CONTINUED

OTHER BENEFICIARY AND ARE NOT RESTRICTED TO THE BENEFIT PROVISIONS UNDER THESE PLANS.

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

NOTE 9 - OTHER DISCLOSURES - RISK MANAGEMENT

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

UTILIZING CHAPTER 48.62 RCW (SELF-INSURANCE REGULATION) AND CHAPTER 39.34 RCW (INTERLOCAL COOPERATION ACT), NINE CITIES ORIGINALLY FORMED WCIA ON JANUARY 1, 1981. WCIA WAS CREATED FOR THE PURPOSE OF PROVIDING A POOLING MECHANISM FOR JOINTLY PURCHASING INSURANCE, JOINTLY SELF-INSURING, AND/OR JOINTLY CONTRACTING FOR RISK MANAGEMENT SERVICES. WCIA HAS A TOTAL OF 150 MEMBERS.

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

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

INSURANCE COVERAGE FOR PROPERTY, AUTOMOBILE PHYSICAL DAMAGE, FIDELITY, INLAND MARINE, AND BOILER AND MACHINERY ARE PURCHASED ON A GROUP BASIS. VARIOUS DEDUCTIBLES APPLY BY TYPE OF COVERAGE. PROPERTY INSURANCE AND AUTO PHYSICAL DAMAGE ARE SELF-FUNDED FROM THE MEMBERS' DEDUCTIBLE TO \$500,000, FOR ALL PERILS OTHER THAN FLOOD AND EARTHQUAKE, AND INSURED ABOVE THAT AMOUNT BY THE PURCHASE OF INSURANCE.

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

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

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

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

NOTE 10 - OTHER DISCLOSURES - CONTINGENCIES AND LITIGATION

CONTINGENCIES AND LITIGATION

THE CITY PARTICIPATES IN A NUMBER OF FEDERAL- AND STATE-ASSISTED PROGRAMS. THESE GRANTS ARE SUBJECT TO AUDIT BY THE GRANTORS OR THEIR REPRESENTATIVES. SUCH AUDITS COULD RESULT IN REQUESTS FOR REIMBURSEMENT TO GRANTOR AGENCIES FOR EXPENDITURES DISALLOWED UNDER THE TERMS OF THE GRANTS. OTHER THAN THE INSTANCES DESCRIBED ABOVE, CITY MANAGEMENT BELIEVES THAT SUCH DISALLOWANCES, IF ANY, WILL BE IMMATERIAL.

## CITY OF ELMA

**Schedule of Liabilities**  
**For the Year Ended December 31, 2013**

[illegible]



**MCAG NO. 0338**

**CITY OF ELMA**

**Schedule of Liabilities**

**For the Year Ended December 31, 2012**

Schedule 09

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☐ GO Debt  
☒ Revenue  
☐ Assessment Debt

		1	2	3	4	
I.D. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2012	Additions	Reductions	
					BARS Code for Redemption of Debt Only	
					Ending Balance Debt 12/31/2012 1 + 2 - 3	
263.83	PWTF-W/S Loan	7/1/2018	\$126,354		\$ 18,051	108,303
252.11	DOE-Sewer Plant Loan	10/31/2022	\$1,680,649		\$ 134,452	1,546,197
259.12	Compensated Absences	12/31/2012	\$178,375	\$ 11,367		\$189,742
<b>Total All Funds</b>			<b>\$1,985,378</b>	<b>\$ 11,367</b>	<b>\$ 152,503</b>	<b>\$ 1,844,242</b>





## CITY OF ELMA

**SCHEDULE OF LONG TERM DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

\_\_\_GO Debt  
\_\_\_X\_ Revenue  
\_\_\_Assessment Debt

[illegible]

## 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	
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