



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Gold Bar

Snohomish County

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

Published January 26, 2015

Report No. 1013498





Washington State Auditor
Troy Kelley

January 26, 2015

Council
City of Gold Bar
Gold Bar, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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

**City of Gold Bar
Snohomish County
January 1, 2013 through December 31, 2013**

Council
City of Gold Bar
Gold Bar, 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 Gold Bar, Snohomish County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 16, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated January 20, 2015.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

January 16, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Gold Bar Snohomish County January 1, 2013 through December 31, 2013

Council
City of Gold Bar
Gold Bar, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Gold Bar, Snohomish County, Washington, for the year ended December 31, 2013, 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 audit. We conducted our audit 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 Gold Bar has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed 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 Gold Bar, for the year ended December 31, 2013, 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 Gold Bar, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

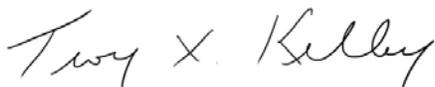
Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is 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 January 16, 2015 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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

January 16, 2015

FINANCIAL SECTION

**City of Gold Bar
Snohomish County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013

City of Gold Bar
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	001 General Government	101 City Street
Beginning Cash and Investments				
30810	Reserved	155,032	-	7,146
30880	Unreserved	502,423	29,909	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	487,149	465,501	-
320	Licenses & Permits	15,059	15,059	-
330	Intergovernmental Revenues	216,743	78,040	42,586
340	Charges for Goods and Services	412,929	4,660	-
350	Fines & Penalties	8,701	4,720	-
360	Miscellaneous Revenues	157,858	40,520	4
Total Operating Revenues:		<u>1,298,439</u>	<u>608,500</u>	<u>42,590</u>
Operating Expenditures				
510	General Government	176,743	176,743	-
520	Public Safety	255,013	255,013	-
530	Utilities	471,299	-	-
540	Transportation	49,732	-	42,139
550	Natural and Economic Environment	38,348	38,348	-
560	Social Services	-	-	-
570	Culture And Recreation	9,355	9,355	-
Total Operating Expenditures:		<u>1,000,490</u>	<u>479,459</u>	<u>42,139</u>
Net Operating Increase (Decrease):		297,949	129,041	451
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	198,647	9,942	1,799
391-393	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		<u>198,647</u>	<u>9,942</u>	<u>1,799</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	33,342	27,538	5,804
591-593	Debt Service	73,471	101	10
594-595	Capital Expenditures	104,708	-	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		<u>211,521</u>	<u>27,639</u>	<u>5,814</u>
Net Increase (Decrease) in Cash and Investments:		285,075	111,344	(3,564)
Ending Cash and Investments				
50810	Reserved	208,403	-	3,581
50880	Unreserved	734,127	141,253	1

The accompanying notes are an integral part of this statement.

103 Park Impact Fee Fund	104 Street Impact Fee Fund	301 Capital Projects Fund	302 Street Improvement Fund	401 Water Operating	410 Recycling Fund	415 Stormwater Fund
-	-	64,549	12,812	70,525	-	-
-	-	-	-	433,200	31,557	7,757
-	-	-	-	-	-	-
-	-	21,648	-	-	-	-
-	-	-	-	-	-	-
-	-	-	96,117	-	-	-
1,200	2,500	-	-	312,882	41,782	49,905
-	-	-	-	3,576	-	405
-	-	-	-	117,318	10	6
1,200	2,500	21,648	96,117	433,776	41,792	50,316
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	414,842	35,771	20,686
-	-	7,593	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	7,593	-	414,842	35,771	20,686
1,200	2,500	14,055	96,117	18,934	6,021	29,630
-	-	13,830	3,224	159,959	7,941	1,952
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	13,830	3,224	159,959	7,941	1,952
-	-	-	-	-	-	-
-	-	-	-	73,360	-	-
-	-	5	104,373	330	-	-
-	-	-	-	-	-	-
-	-	5	104,373	73,690	-	-
1,200	2,500	27,880	(5,032)	105,203	13,962	31,582
1,200	2,500	92,429	7,780	100,913	-	-
-	-	-	-	508,015	45,519	39,339

The accompanying notes are an integral part of this statement.

City of Gold Bar
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	633 Agency Fund
308	Beginning Cash and Investments	1,582	1,582
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	5,060	5,060
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
Net Increase (Decrease) in Cash and Investments:		5,060	5,060
508	Ending Cash and Investments	6,642	6,642

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gold Bar reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Gold Bar was incorporated in 1910 and operates under the laws of the state of Washington applicable to a non-charter code city with a Mayor-Council form of Government (RCW 35A). The City of Gold Bar is a general purpose government and provides public safety through contract with Snohomish County, street maintenance and improvement, parks and recreation, and general administrative services. In addition the City owns and operates a water utility and storm water management system, and contracts for recycling services. The City of Gold Bar uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Gold Bar are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Gold Bar resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Gold Bar:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Gold Bar.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that City of Gold Bar holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense.

Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

The City of Gold Bar adopts Annual appropriated budgets for General, Special Revenue, Capital Project, and Enterprises funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted 2013 budgets were as follow:

<i>Fund</i>	<i>Appropriated</i>	<i>Actual Expenditures</i>	<i>Variance</i>
001 - General Government	738,094	611,298	126,795
101 - City Street	50,800	47,954	2,846
103 - Park Impact Fee Fund	1,200	-	1,200
104 - Street Impact Fee Fund	2,500	-	2,500
301 - Capital Projects Fund	83,379	7,598	75,781
302 - Street Improvement Fund	115,577	104,373	11,204
401 - Water Operating	1,189,575	574,862	614,714
410 - Recycling Fund	81,633	35,770	45,863
415 - Stormwater Fund	60,419	20,687	39,732
Total Government Funds	\$ 2,323,177	\$ 1,402,542	\$ 920,635
633 - Agency Fund	7,180	-	7,180
Total City Funds	\$ 2,330,358	\$ 1,402,542	\$ 927,815

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

d. Cash

It is the City of Gold Bar's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City of Gold Bar deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. Investments. See Investment Note No.3.

g. Derivatives and Similar Transactions

The City does not use, hold or sell any derivatives or similar instruments during the period covered by the financial statements.

h. Capital Assets

Capital assets are assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. The capital assets of the City of Gold Bar are recorded as expenditures when purchased.

i. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave. After accumulating thirty (30) days, employees may convert sick leave into vacation leave on a two to one ratio.

j. Long-Term Debt. See Long-Term Debt Note No. 6.

k. Other Financing Sources or Uses

The City of Gold Bar's *Other Financing Sources or Uses* consist of operating transfers in and out, general obligation bond proceeds, and capital purchases for land and equipment and other debt payments.

I. Risk Management

The City of Gold Bar is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2013, 91 municipalities/entities participate in the AWC RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverage is on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property reinsurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA pays out of its own funds all claims up to its Self-Insurance Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million of coverage limits, an excess liability policy is purchased from CV Starr. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA has retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA Pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Inter-local Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members. The specific financials of the AWC RMSA can be obtained from the AWC RMSA Annual Report on file with the City of Gold Bar.

m. Reserved Fund Balance

The City has no commitments or restrictions on fund balance except those imposed by State Law. The City does report on its financial statements as reserved fund balances the following:

- City Streets Fund 101 due to the sole revenue source being the State Motor Vehicle Excise Tax.
- Parks and Street Impact Funds 103 and 104 due to the sole revenue source being impact fees for improvements of parks and/or street infrastructure.
- Capital Projects Fund 301 due to the sole revenue being the Real Estate Excise Tax that can be used only for capital purposes.
- Street Improvement Fund 302 due to the sole revenue being Federal and State Construction Grants.
- Water Fund 401 revenues that are related to debt service payments and debt service reserves for debt payments and debt covenant requirements associated with the outstanding Revenue Bonds of the Water Utility, as well as, for capital improvements.
- Agency Fund 633 due to funds collected and due other governmental agencies.

NOTE (2) – COMPLIANCE AND ACCOUNTABILITY

A. Legal

In beginning in 2010, several lawsuits were filed against the city in Snohomish County Superior Court for non-compliance of the Public Records Act. The following are still active or have been resolved in 2013 as noted.

Block v. City of Gold Bar, filed Feb 2, 2010: #10-2-02355-9;

Trial Court approved City's Summary Judgment request on September 27, 2013. Plaintiff appealed and Court of Appeals upheld lower Court decision early in 2014.

Forbes v. City of Gold Bar, filed May 17, 2010: #10-2-04951-5;

Trial and Appellate Court found for the City; Supreme Court denied Plaintiff's Petition for Review on April 30, 2013.

Block v. City of Gold Bar, filed April 6, 2011: #11-2-04307-8;

Trial Court accepted City's motion for Summary Judgment after in camera review in 2013. Plaintiff appealed to Appellate Court for Review.

Block v. City of Gold Bar, filed Nov 10, 2011: #11-2-09706-2;

Trial Court found for the City with prejudice. Sanctions were imposed with the judgment against the Plaintiff. Appellate Court affirmed Trial Court's decision on September 23, 2013. Plaintiff appealed to Supreme Court.

Block v. City of Gold Bar, filed Jan 17, 2012: #12-2-02255-9;

Violation of the Open Public Meetings Act Trial Court found for the City. Plaintiff appealed to Appellate Court for Review. Appellate Court upheld decision of Trial Court in March 2014. Plaintiff appealed to State Supreme Court.

New Cingular v. City of Bothell, et al. filed Apr 25, 2012, KingCo Superior#12-2-15031-1;

This is a lawsuit against all Cities in Washington levying a Utility Excise Tax for internet services. Court determined that suit must be brought against the Cities in the County of jurisdiction for each City. As a result, Gold Bar was dismissed as a defendant in the lawsuit. In order to prevent a lawsuit being filed in Snohomish County, the City of Gold Bar made an offer to settle the claims without judicial action. The case was settled by all parties as provided by the settlement offer in 2013.

In 2012, six petitions to recall the Mayor and City Council were filed. The six recall petitions were all found to be factually and legally insufficient. Plaintiff appealed the Snohomish County Superior Court decisions. All recalls are now inert.

B. Financial Reporting

In order to comply with the State of Washington Budget and Accounting Reporting System, the City rolls up several management funds into financial reporting activities. The table below shows the roll ups that occur for financial reporting purposes:

Reporting		Component	
Fund	Title	Fund	Title
001	General Government	001	General Fund
		003	Egg Hunt Fund
		006	National Night Out Fund
		015	Litigation Fund
101	City Street	101	City Street Fund
103	Park Impact Fee Fund	103	Park Impact Fee Fund
104	Street Impact Fee Fund	104	Street Impact Fee Fund
301	Capital Projects Fund	110	Public Works Equipment Reserve
		301	Capital Projects Fund
302	Street Improvement Fund	302	Street Improvement Fund
401	Water Operating	401	Water Operating Fund
		403	Water Capital Improvement
		404	FMHA Reserve Fund
		405	Water Emergency Reserve Fund
		407	Water Debt Service Fund
		409	Water Booster Pump Fund
410	Recycling Fund	410	Recycling Fund
415	Stormwater Fund	415	Stormwater Fund
633	Agency Fund	633	Agency Fund

C. SIGNIFICANT COMMITMENTS AND OBLIGATIONS

The City of Gold Bar has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include medical, vision, nursing care, etc. One retiree received benefits during the year and \$13,258 was paid out for those benefits during the year.

There have been no material violations of finance-related legal or contractual provisions, nor have there been any expenditure exceeding legal appropriations in any of the funds of the City of Gold Bar.

NOTE 3 – INVESTMENTS

The City of Gold Bar’s investments are insured, registered or held by the City of Gold Bar or its agents in the City of Gold Bar’s name.

Investments are presented at fair value. Investments by type at December 31, 2013 are as follows:

TYPE OF INVESTMENT	CITY OF GOLD BAR OWN INVESTMENTS	TOTAL
L.G.I.P	150,040	150,040
TOTAL	<u>\$ 150,040</u>	<u>\$ 150,040</u>

NOTE 4 - PROPERTY TAX

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

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

The City's regular levy for the year 2013 was \$1.60 per \$1,000 on an assessed valuation of \$112,716,107 for a total regular levy of \$180,345.77.

NOTE (5) - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2013:

Borrowing Fund	Lending Fund	Balance 1/1/2013	New Loans	Repayments	Balance 12/31/2013
Street	Water	\$9,610	\$0	\$5,805	\$3,805
General Fund	Water	\$70,659	\$0	\$27,396	\$43,263
	Totals	\$80,269	\$0	\$33,201	\$47,068

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Liabilities (Schedule 09) provides more details of the outstanding debt and liability of the City of Gold Bar and summarizes the City of Gold Bar's debt transactions for 2012. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

Year	General		Revenue Bonds	Other Debt	Total Debt
	Obligation	Bonds			
2013	\$ -	\$ -	73,360	\$ -	\$ 73,360
2014	-	-	73,360	-	73,360
2015	-	-	73,360	-	73,360
2016	-	-	73,360	-	73,360
2017	-	-	73,360	-	73,360
2018	-	-	73,360	-	73,360
2019-2023	-	▼	366,798	-	366,798
2024-2028	-	▼	366,798	-	366,798
2029-2033	-	▼	366,798	-	366,798
2034-2038	-	▼	366,798	-	366,798
2039-2043	-	▼	366,798	-	366,798
2044-2048	-	▼	366,798	-	366,798
2049-2052	-	-	292,371	-	292,371
TOTAL	\$ -	\$ -	2,933,318	\$ -	\$ 2,933,318

The City of Gold Bar initiated an interim loan with Cashmere Valley Bank in 2011, to provide for interim financing of \$1,766,000 for the purpose of funding construction of a booster pump to improve the capabilities of the City's water system. The interim loan was issued on July 26, 2011 for the total loan amount is \$1,766,000 and is backed by a loan guarantee from the United States Department of Agriculture (USDA). The loan was converted to a Revenue Bond in September 2012 with the USDA purchasing the bonds. The City paid-off the interim loan balance and called the remaining balance of the 1995 Revenue Bond issue through a bond defeasance in 2012.

NOTE 7 - PENSION PLANS

All City of Gold Bar employees are covered under the Federal Social Security System plan. In 1997, the City implemented contributions to the ICMA Benefit Trust 457 deferred compensation plan. The City developed a policy to match employee contributions up to \$100 per employee per month. In 1998, the policy was revised so that the City would contribute \$100 per employee per month if the employee contributed a minimum of \$25. Starting in January 2002, the City increased the contribution to \$125 per employee per month. In January 2008 the council voted to discontinue the contribution to ICMA starting in February 2008, although employees could elect to continue and contribute to ICMA in the amount of their choice.

As of February 1, 2008, substantially all City of Gold Bar full-time and qualifying part-time employees participate in the PERS administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Gold Bar's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 8 – SUBSEQUENT EVENTS

a. Financial condition of the City.

As noted in Note 2 above, the City has been processing numerous Public Record Requests, several of which have resulted in litigation. The majority of the cases are filed by a small group of citizen's seeking "timely compliance" by the City to their requests. As a result, the City has incurred legal and staff expenditures which have depleted its General Fund operating reserves. Most of the public record requests are for email correspondence related to current and former elected officials and the requesters.

The City placed an excess levy measure on the November 2012 ballot for \$113,000. The proceeds of the excess levy were to assist the General Fund in covering the legal and staff costs of the Public Records Requests. The levy failed. While assessed valuations and property tax collections have increased in the last year, the City's General Fund continues to be in a perilous financial condition. Operating costs for the General Fund have been cut as low as they can be in order to maintain minimum general government functions. Any additional legal costs or unforeseen events can cause a severe financial condition where the City's General Fund cannot meet its financial and/or operational obligations.

The City's Utility Funds are solvent and in good financial condition. State Law allows for interfund loans between funds, while prohibiting direct, non-repayable support to general governmental operations by the Utilities. Additional interfund loans to the General Fund of excess Utility Funds are an option but, for the foreseeable future, the City's General Fund lacks the ability to borrow and repay more than it already has committed to. (See Note 5 above.)

b. Fraud

In 2012, the City endured an electronic fraud attack against all of its bank accounts with Bank of America. The attack was initiated in several forms, beginning with attempts to pass altered and counterfeit checks through the bank. These were all caught immediately and reversed. In May 2012, minor wire fraud activity was initiated and continued until October 16, 2012 when the bank accounts were all frozen and locked. In July 2012 the City noticed the activity and initiated immediate procedures to secure the accounts. The perpetrators had electronic access to the City's bank accounts, making efforts to secure the accounts difficult. A police complaint was filed with Gold Bar Police and through Bank of America Security, the FBI became involved. Portland, Oregon Police also were involved in the investigation and subsequently in the arrest of the parties involved. The City of Gold Bar had \$382,068.18 stolen and recovered \$216,217. The remaining \$165,851 was recovered by a claim against the City's Insurance carrier in 2013.

In 2012, the loss of \$165,851 was distributed to the operating and managerial funds on the basis of the 2012 ending fund balances prior to the distribution as shown by the following table:

Fund	Gross Fraud Loss	Recovery	Net Loss
001	22,902	12,961	9,942
101	4,143	2,345	1,799
301	31,859	18,029	13,830
302	7,428	4,203	3,224
401	120,567	68,230	52,336
403	130,575	73,894	56,681
404	8,978	5,081	3,897
405	31,908	18,057	13,851
410	18,295	10,353	7,941
415	4,497	2,545	1,952
633	917	519	398
Total	\$ 382,068	\$ 216,217	\$ 165,851

The 2013 Insurance reimbursement was distributed to the same funds on the same basis that the loss was allocated and each fund was made whole.

c. Civil Rights Violation Federal Lawsuit.

The City of Gold Bar was named as defendants in a Civil Rights Violation Lawsuit along with Snohomish County and former employees of both Entities. The lawsuit alleges that Plaintiff's civil rights under 28 USC 1331, 42 USC 1983 and 42USC 1988 were violated by the defendants acting under the color of state and local law. The case was filed in the United States Federal Court for Western Washington on February 18, 2014, Case number 2:14-cv-00235. The lawsuit is in its initial stages.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		2,492	1,633	-	4,125
	Total General Obligations:		2,492	1,633	-	4,125
Revenue Obligations						
259.12	Compensated Absences		9,375	11,364	-	20,739
263.82	US Dept of Agriculture Bond 2012	9/1/2052	1,766,000	-	24,795	1,741,205
	Total Revenue Obligations:		1,775,375	11,364	24,795	1,761,944
	Total Liabilities:		1,777,867	12,997	24,795	1,766,069

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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