



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Fife

Pierce County

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

Published September 30, 2015

Report No. 1015319





Washington State Auditor's Office

September 30, 2015

Mayor and City Council
City of Fife
Fife, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Fife's financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Federal Summary	4
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	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	15
About The State Auditor’s Office.....	35

FEDERAL SUMMARY

City of Fife
Pierce County
January 1, 2014 through December 31, 2014

The results of our audit of the City of Fife are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

**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 Fife
Pierce County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Fife
Fife, 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 Fife, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 28, 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.

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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 28, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Fife
Pierce County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Fife
Fife, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Fife, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 28, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Fife Pierce County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Fife
Fife, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Fife, Pierce County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Fife, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Fife, as of December 31, 2014, 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 Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Liabilities also 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 September 28, 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 28, 2015

FINANCIAL SECTION

**City of Fife
Pierce County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Operating Fund
Beginning Cash and Investments				
30810	Reserved	8,291,624	3,085,221	-
30880	Unreserved	22,226,744	-	185,871
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	13,506,624	12,308,136	-
320	Licenses and Permits	619,657	611,937	-
330	Intergovernmental Revenues	4,199,944	686,337	209,086
340	Charges for Goods and Services	16,543,927	1,884,271	16,487
350	Fines and Penalties	2,514,573	517,231	-
360	Miscellaneous Revenues	2,894,247	485,288	(1,244)
Total Operating Revenues:		40,278,972	16,493,200	224,329
Operating Expenditures				
510	General Government	4,235,941	4,028,774	-
520	Public Safety	14,921,803	6,354,029	-
530	Utilities	7,525,255	-	-
540	Transportation	1,454,700	359,299	676,383
550	Natural and Economic Environment	1,138,558	782,585	-
560	Social Services	2,003	2,003	-
570	Culture and Recreation	2,124,849	2,070,283	-
Total Operating Expenditures:		31,403,108	13,596,972	676,383
Net Operating Increase (Decrease):		8,875,863	2,896,227	(452,054)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	1,889,866	-	1,964
391-393	Debt Proceeds	7,195,765	-	-
397	Transfers-In	3,270,651	-	528,993
Total Nonoperating Revenues:		12,356,282	-	530,957
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	1,861,643	-	-
591-593	Debt Service	4,347,452	385,256	-
594-595	Capital Expenditures	11,723,677	74,928	-
597	Transfers-Out	2,885,395	1,900,080	-
Total Nonoperating Expenditures:		20,818,167	2,360,264	-
Net Increase (Decrease) in Cash and Investments:		413,978	535,963	78,903
Ending Cash and Investments				
50810	Reserved	9,235,011	3,621,184	-
50880	Unreserved	21,697,337	-	264,774

The accompanying notes are an integral part of this statement.

103 Public Safety Fund	104 Stadium/Convention Tax Fund	106 Growth Management Fund	107 Criminal Justice Fund	108 D.A.R.E. Fund	109 Impact & Mitigation Fund
-	-	-	-	-	-
1,967,502	1,889,882	547,028	184,146	4,613	1,792,534
-	-	-	-	-	-
-	590,612	394,169	136,918	-	-
-	-	-	-	-	-
-	-	-	62,402	-	-
-	6,176	-	51,506	-	-
1,940,792	-	-	-	443	-
456	10,156	148	1,938	1	111,448
1,941,248	606,945	394,317	252,765	444	111,448
140,455	-	-	-	-	-
1,187,499	-	-	257,668	-	-
-	-	-	-	-	-
74,662	-	-	-	-	-
-	355,973	-	-	-	-
-	-	-	-	-	-
-	14,903	-	-	-	-
1,402,615	370,876	-	257,668	-	-
538,632	236,070	394,317	(4,903)	444	111,448
-	-	-	19,448	-	-
-	-	1,000,000	-	-	-
-	-	-	-	-	-
-	-	1,000,000	19,448	-	-
-	-	-	-	-	-
-	-	67,679	-	-	-
210,113	5,000	1,369,649	-	-	27,069
326,152	-	-	-	-	-
536,265	5,000	1,437,327	-	-	27,069
2,367	231,070	(43,011)	14,545	444	84,379
-	-	-	-	-	-
1,969,870	2,120,951	504,018	198,692	5,057	1,876,913

The accompanying notes are an integral part of this statement.

110 Drug Intervention Fund	111 Park Acquisition/Devel op Fund	128 PD Misc Grants Fund	207 Street Construction Bond Fund	209 LID Guarantee Fund	213 1997 Ltd G.O. Bond Fund
-	-	-	-	-	-
5,460	2,238,184	-	-	950,773	282,765
-	-	-	-	-	-
-	76,788	-	-	-	-
-	-	-	-	-	-
50,090	-	226,760	-	-	-
-	-	-	-	-	-
1,668	-	-	-	-	-
29,070	60,887	-	-	220	57
80,828	137,675	226,760	-	220	57
-	-	-	-	-	-
40,829	-	436,457	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	39,663	-	-	-	-
40,829	39,663	436,457	-	-	-
39,999	98,012	(209,697)	-	220	57
-	-	307,000	-	-	-
-	-	-	-	-	-
-	-	-	654,205	-	385,256
-	-	307,000	654,205	-	385,256
19,448	-	-	-	-	-
1,897	-	-	654,205	-	385,256
4,376	136,038	96,410	-	-	-
-	-	-	-	-	-
25,721	136,038	96,410	654,205	-	385,256
14,278	(38,026)	893	-	220	57
-	-	-	-	-	-
19,738	2,200,158	893	-	950,993	282,823

The accompanying notes are an integral part of this statement.

215 2011 Ltd G.O. Bond Fund	216 2011 Ltd G.O. Bond Fund	301 Street Construction Fund	303 Rec & Ped Capital Facilities	305 Misc Capital Projects Fund	401 Water Utility Fund
-	-	-	-	-	-
-	262,604	16,516	159,907	5,936,555	2,655,916
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,200
-	-	2,842,742	-	-	-
-	-	-	-	-	3,654,732
-	3,076	-	-	-	3,377
-	506,789	197,981	37	4,787	356,859
-	509,866	3,040,723	37	4,787	4,019,168
-	-	-	-	-	-
-	-	-	-	-	-
-	672	-	-	-	3,364,839
-	-	815	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	672	815	-	-	3,364,839
-	509,194	3,039,908	37	4,787	654,329
-	-	1,473,000	-	33,364	-
-	-	-	-	-	1,626,012
671,375	-	166,159	-	-	-
671,375	-	1,639,159	-	33,364	1,626,012
-	-	-	-	1,808,832	-
671,375	253,566	-	-	2,812	5,030
-	-	4,688,707	-	261,773	1,193,276
-	-	-	-	-	-
671,375	253,566	4,688,707	-	2,073,417	1,198,306
-	255,628	(9,640)	37	(2,035,266)	1,082,035
-	-	-	-	-	-
-	518,232	6,876	159,944	3,901,288	3,737,950

The accompanying notes are an integral part of this statement.

402 Sewer Utility Fund	404 Storm Drainage Utility	502 Detention Services Fund (2013)	504 Fleet Fund	513 Self Insured Medical Fund
5,206,404	-	-	-	-
-	1,581,730	241,111	1,323,648	-
-	-	-	-	-
-	-	-	-	-
3,520	-	-	-	-
-	122,527	-	-	-
3,515,707	793,172	5,996,206	385,669	240,000
47,987	-	-	-	-
758,768	399	63	370,117	20
4,325,982	916,098	5,996,269	755,787	240,020
-	-	-	-	66,713
-	-	6,645,322	-	-
3,541,814	617,929	-	-	-
-	-	-	343,542	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,541,814	617,929	6,645,322	343,542	66,713
784,168	298,169	(649,053)	412,245	173,307
28,832	-	8,438	17,822	-
3,086,613	1,483,140	-	-	-
659,163	-	205,500	-	-
3,774,607	1,483,140	213,938	17,822	-
-	-	33,364	-	-
1,906,925	10,013	3,438	-	-
1,585,265	1,388,397	89,599	593,080	-
659,163	-	-	-	-
4,151,352	1,398,411	126,400	593,080	-
407,423	382,899	(561,516)	(163,013)	173,307
5,613,826	-	-	-	-
-	1,964,629	(320,404)	1,160,635	173,307

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	635 Non-Rev/Non- Exp	637 Muni Ct Clearing
308	Beginning Cash and Investments	104,664	59,101	45,562
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	4,277,304	4,277,304	-
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	4,358,603	4,342,900	15,703
Net Increase (Decrease) in Cash and Investments:		(81,299)	(65,596)	(15,703)
508	Ending Cash and Investments	23,364	(6,495)	29,859

The accompanying notes are an integral part of this statement.

City of Fife, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fife 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 authority of Washington State law, Chapter 43.09 RCW.

The City of Fife was incorporated on February 11, 1957 and operates under the laws of the State of Washington applicable to a non-charter code city operating under the Council-Manager form of government as set forth in Chapter 35A.13 RCW. The City of Fife is a general purpose government and provides police, municipal court, planning and community development, parks and recreation, street maintenance, water, sewer and storm drainage services, among its major services. Fire and emergency medical services are provided by a separate fire district through a contract with the City of Tacoma. The City of Fife uses single-entry, cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Fife 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 Fife's resources are allocated to and accounted for in individual funds depending upon their intended purpose. The following are the types of funds used by the City of Fife:

GOVERNMENTAL FUND TYPES

General Fund

This is the primary operating fund of the City. 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.

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES

Agency Funds

These funds are used to account for assets that the City 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 Fife 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 cash 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 Fife adopts biennial appropriated budget for all funds other than agency funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Under the Fife Municipal Code (FMC) the biennial budget is comprised of two one-year financial plans. Biennial appropriations for these funds lapse biennial end, December 31, 2014.

Notes to Financial Statements

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

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

Fund	Final Budget 2013-2014	Actual Expenditures 2013-2014	Variance
General Fund 001 (FMC)	\$ 35,376,035	\$ 31,050,595	\$4,325,440
Contingency Fund 105 (FMC)	<u>0</u>	<u>0</u>	<u>0</u>
General Fund (GASB 54)	\$ 35,376,035	\$ 31,050,595	\$4,325,440
City Street Fund 101	1,412,769	1,342,698	70,071
Public Safety Fund 103	8,564,656	5,846,667	2,717,989
Stadium/Conv Tax Fd 104	2,742,412	947,286	1,795,126
Growth Management 106	3,311,718	1,751,561	1,560,157
Criminal Justice 107	742,738	588,318	154,420
D.A.R.E. 108	764	0	764
Impact & Mitigation 109	1,040,000	1,033,099	6,901
Drug Intervention 110	232,358	186,579	45,779
Park Acq & Dev 111	2,120,650	314,035	1,806,615
Misc Grant Summary 128	1,030,100	532,867	497,233
Street Const Bond 207	1,306,810	1,306,810	0
LID Guarantee 209	0	0	0
1997 Bond Fund 213	772,676	772,675	1
2011 Ltd G.O. 215	1,347,750	1,347,750	0
CLID #1 2013 Fd 216	273,566	254,238	19,328
Street Construction 301	13,781,136	13,009,190	771,946
Rec & Ped Cap Fac 303	0	0	0
Misc. Capital Projects 305	3,738,290	2,999,236	739,054
Water Utility 401 (FMC)	6,692,351	6,404,098	288,253
LID BANs 403 (FMC)	18,751	18,750	1
LID 2008-1 411 (FMC)	2,094,000	2,092,702	1,298
LID 2008-2 412 (FMC)	9,155,000	9,154,167	833
Water Cap Maint 432 (FMC)	550,000	0	550,000
Water Construction 436 (FMC)	<u>3,040,566</u>	<u>2,185,185</u>	<u>855,381</u>
Water Utility 401 (Reportable)	21,550,668	19,854,901	1,695,767

Notes to Financial Statements

Fund	Final Budget 2013-2014	Actual Expenditures 2013-2014	Variance
Sewer Utility 402 (FMC)	8,575,721	7,875,493	700,228
Parity Bond 405 (FMC)	2,620,404	2,759,816	(139,412)
Sewer Cap Maint 422 (FMC)	82,000	53,535	28,465
Sewer Construction 426 (FMC)	<u>3,412,020</u>	<u>2,024,564</u>	<u>1,387,456</u>
Sewer Utility 402 (Reportable)	14,690,145	12,713,408	1,976,737
Storm D Utility 404 (FMC)	1,688,905	1,234,857	454,048
Storm Cap Maint 442 (FMC)	0	442,690	(442,690)
Storm Construction 446 (FMC)	<u>2,097,066</u>	<u>955,009</u>	<u>1,142,057</u>
Storm Utility 404 (Reportable)	3,785,971	2,632,556	1,153,415
Detention Services 502	11,307,960	11,194,410	113,550
Fleet 504	2,344,453	1,818,438	526,015
Self-Ins Emp Benefits 513	<u>240,000</u>	<u>66,713</u>	<u>173,287</u>
Subtotal	\$ 131,713,625	\$111,564,031	\$20,149,594
Bud End Cash Balance	\$ <u>19,089,844</u>		
Total Appropriations	<u>\$ 150,803,469</u>		

Less: General Fund inter-fund services revenue
reclassified as negative expense for entity-wide
financial statement presentation

1,741,003

Reportable Expenditures – Statement C-4

\$52,338,040

The City Manager is authorized to transfer budgeted amounts between departments and line items 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 of Fife's legislative body.

d. Cash

It is the City of Fife'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 earned on short-term investments is prorated to the various funds based upon their cash balances, while the interest earned on long-term investments is allocated to the General Fund.

e. Deposits

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

f. Investments

The City of Fife invests only in those types of investment instruments authorized by State law for local governments and in accordance with its investment policies. The City invests in federal agency securities through brokerage agreements with Pro Equities and Vining Sparks and a safekeeping trust account at U.S. Bank. Temporary surplus cash balances are invested through the Local Government Investment Pool (LGIP) operated on behalf of local governments by the Washington State Treasurer's Office, with the remaining monies invested overnight through a NOW account with Key Bank. See Note 2 - Investments.

g. Derivatives and Similar Transactions

The City does not investment in derivatives or similar transactions.

h. Capital Assets

Capital assets are assets with an initial individual purchase cost of \$10,000 or self-constructed costs of \$25,000 and an estimated useful life in excess of three years. The capital assets of the City are recorded as expenditures when purchased.

i. Compensated Absences

Employees may accumulate vacation leave up to a maximum of 30 days, except for exempt employees who may accumulate above that maximum but must reduce it to 30 days by the next January 1. Upon separation from City service, employees will be paid up to a maximum of 30 days, except exempt employees who may be paid for up to 60 days.

Sick leave may be accumulated up to 1600 hours. Upon termination from City service, sick leave will be paid at the following schedule:

1st 50 days – 25%

2nd 50 days – 50%

3rd 50 days – 75%

4th 50 days – 100%

j. Long-Term Debt

The City's long-term debt consists of four Limited Tax General Obligation Bond (LTGO) issues, one real estate contract, two combined Water/Sewer Revenue Bond issues each with a Utility Local Improvement District (ULID) special assessment component, two combined water/sewer Public Works Trust Fund (PWTF) Loans, two combined local improvement district (CLID) bond issues. The City has no voted or excess levy debt. (See Note 5 – Debt Service Requirements and Schedule 09 - Schedule of Liabilities)

k. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of inter-fund transfers of \$3.27 million and inter-fund loan activity of \$3.35 million for operating support, debt service and capital outlay.

l. Risk Management

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

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

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of

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

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

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

Historical trends and other information are presented in the WCIA annual financial report. A copy of this report may be obtained by writing to:

Washington Cities Insurance Authority
P.O. Box 88030
Tukwila, WA 98138

m. Reserved Fund Balance

The City of Fife financial policies provide for a General Fund balance reserve of 17% (two months) of annual expenditures excluding debt service transfers for cash flow purposes. It is measured at year end.

NOTE 2 – INVESTMENTS

The City of Fife's investments are insured, registered or held by the City of Fife or its agent in the City's name.

Investments are presented at historical cost.

Notes to Financial Statements

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

Local Government Investment Pool (LGIP) - Short-Term	\$ 5,646,643
U.S. Bank Safekeeping Account – Federal Agency Bonds	16,032,408
Key Bank Now Account – Overnight Sweep Account	<u>11,799,056</u>
Total	\$33,478,107

NOTE 3 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes 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 Fife. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for the year 2014 was \$1.60 per \$1,000 on an assessed valuation of \$1,896,381,840 for a total regular levy of \$2,967,298. The City does not impose any excess levies for any purpose.

NOTE 4 – INTERFUND LOANS AND ADVANCES

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2014</u>
Fund 110	Fund 107	\$ 386,649	\$ 0	\$ 19,448	\$ 367,201
Fund 128	Fund 305	\$ 0	\$ 307,000	\$ 0	\$ 307,000
Fund 301	Fund 305	\$ 0	\$1,473,000	\$ 0	\$1,473,000
Fund 305	Fund 402	\$ 573,222	\$ 0	\$ 28,832	\$ 544,390
Fund 502	Fund 305	<u>\$ 700,000</u>	<u>\$ 0</u>	<u>\$ 33,364</u>	<u>\$ 666,636</u>
Total		\$1,659,871	\$1,780,000	\$ 81,644	\$3,358,227

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Fife and summarizes the City of Fife's debt transactions for the year ended December 31, 2014. The future debt service requirements for general obligation debt (GO bonds and real estate contract), revenue debt (bonds), and assessment debt (bonds), including principle and interest, are as follows:

<u>Year</u>	<u>General Obligation Debt</u>	<u>Revenue Debt</u>	<u>Special Assessment Debt</u>	<u>Total Debt</u>
2015	1,756,080	436,599	693,466	2,886,145
2016	1,720,898	730,426	367,791	2,819,115
2017	1,722,475	751,976	344,791	2,819,242
2018	1,650,100	767,051	287,116	2,704,267
2019	1,316,750	767,801	279,641	2,364,192
2020-2024	3,347,575	3,839,605	1,665,533	8,852,713
2025-2029	696,450	3,798,595	853,955	5,348,999
2030-2034	-0-	244,100	3,503,290	3,747,389
TOTALS	\$12,210,327	\$11,336,155	\$ 7,995,580	\$31,542,063

NOTE 6 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS I, PERSII, PERS III, PSERS, and LEOFF II administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both the employee and employer are based upon gross wages covered by plan benefits. Employer Contributions for 2014 were:

Pension Plan Name	No. of Employees	Contribution Liability	Amount Remitted
PERS Plan 1	2	14,764	14,764
PERS Plan 2	99	485,747	485,747
PERS Plan 3	16	36,968	36,968
PERS JBM	1	11,422	11,422
PSERS Plan 2	19	106,699	106,699
LEOFF Plan 2	31	160,638	160,638
Total	168	816,238	816,238

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, Washington 98504-8380

NOTE 7 – OTHER DISCLOSURES

a. Compliance and accountability

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the City of Fife.

b. Other Post-Employment Benefits (OPEB)

The City has a commitment to pay for postemployment benefits (other than pension) for employees that belong to LEOFF 1, a group of police officers hired on or before September 30, 1977. These benefits include minimum basic medical services defined in RCW 41.26.030(22) and additional medical services as directed by the LEOFF1 local disability board. Six retirees received benefits during the year and \$92,729 was paid out for those benefits.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	2005 Ltd G.O. & Rfnd	5/5/2005	1,405,000	-	325,000	1,080,000
251.11	2007 Ltd GO	1/1/2007	4,390,000	-	3,380,000	1,010,000
251.11	2011 Ltd GO & Rfnd	12/1/2011	5,060,000	-	510,000	4,550,000
251.11	2014 Ltd GO & Rfnd	12/1/2014	-	3,885,000	-	3,885,000
263.61	Swenson	5/5/2005	91,025	-	63,312	27,713
259.11	Compensated Absences-GO		867,086	93,736	-	960,822
Total General Obligations:			11,813,111	3,978,736	4,278,312	11,513,535
Revenue Obligations						
252.11	2004 Water/Sewer	7/1/2004	125,000	-	125,000	-
252.11	2012 W/S Rfnd	7/1/2012	2,995,000	-	35,000	2,960,000
252.11	2014 Water/Sewer/StormD	12/1/2014	-	4,930,000	-	4,930,000
263.82	2014 PWTF PC13-961-021	12/1/2014	-	594,000	-	594,000
263.82	2014 PWTF PC13-961-031	12/1/2014	-	286,982	-	286,982
259.12	Comp Absences-Revenue		57,504	1,650	-	59,154
Total Revenue Obligations:			3,177,504	5,812,632	160,000	8,830,136
Assessment Obligations						
253.11	ULID 98-2	7/1/2004	485,000	-	485,000	-
253.11	ULID 98-2 Rfnd	7/1/2012	2,105,000	-	1,095,000	1,010,000
253.11	CLID 2013 NonTaxable (+)	2/1/2013	3,332,499	-	-	3,332,499
253.11	CLID 2013 Taxable (+)	2/1/2013	714,253	-	70,000	644,253
Total Assessment Obligations:			6,636,752	-	1,650,000	4,986,752
Total Liabilities:			21,627,367	9,791,368	6,088,312	25,330,423

City of Fife
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Highway Planning and Construction)	Highway Planning and Construction	20.205	None	2,422,490	-	2,422,490	1,2
Total Highway Planning and Construction Cluster:				2,422,490	-	2,422,490	
JAG Program Cluster							
Bureau Of Justice Assistance, Department Of Justice (via Pierce County Sheriffs)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M136-314409013A	38,295	-	38,295	1,2
Total JAG Program Cluster:				38,295	-	38,295	
Other Programs							
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	None	-	14,775	14,775	1,2
Department Of Homeland Security (via WA ST Military Department)	Emergency Management Performance Grants	97.042	None	70,765	-	70,765	1,2
Total Federal Awards Expended:				2,531,550	14,775	2,546,325	

Note 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the cash basis of accounting.

Note 2 - Program Costs

The amounts shown as current year expenditures represent only the federal grant

Portion of the program costs. Entire program costs, including the City of Fife's portion, are more than shown.

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov