



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements Audit Report

### City of Roslyn

Kittitas County

For the period January 1, 2012 through December 31, 2014

Published April 7, 2016

Report No. 1016454





## Washington State Auditor's Office

April 7, 2016

Mayor and City Council  
City of Roslyn  
Roslyn, Washington

### Report on Financial Statements

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

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

Sincerely,

JAN M. JUTTE, CPA, CGFM  
DEPUTY 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 Roslyn  
Kittitas County  
January 1, 2012 through December 31, 2014**

Mayor and City Council  
City of Roslyn  
Roslyn, 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 Roslyn, Kittitas County, Washington, as of and for the years ended December 31, 2014, 2013, and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 31, 2016.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated March 31, 2016.

## 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  
DEPUTY STATE AUDITOR  
OLYMPIA, WA

March 31, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Roslyn Kittitas County January 1, 2012 through December 31, 2014**

Mayor and City Council  
City of Roslyn  
Roslyn, Washington

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

We have audited the accompanying financial statements of the City of Roslyn, Kittitas County, Washington, for the years ended December 31, 2014, 2013, and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

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

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

#### **Auditor's Responsibility**

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

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

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

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

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

As described in Note 1, the City of Roslyn 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 Roslyn, for the years ended December 31, 2014, 2013, and 2012, 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 Roslyn, as of December 31, 2014, 2013, and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



## Other Matters

### *Supplementary and Other Information*

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016 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  
DEPUTY STATE AUDITOR  
OLYMPIA, WA

March 31, 2016

## **FINANCIAL SECTION**

**City of Roslyn  
Kittitas County  
January 1, 2012 through December 31, 2014**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2014  
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### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2014  
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Schedule of Liabilities – 2012

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Street Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	32,053	-	-
30880	Unreserved	1,222,785	258,626	1,023
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	491,521	472,984	-
320	Licenses and Permits	14,596	14,596	-
330	Intergovernmental Revenues	215,617	39,459	28,096
340	Charges for Goods and Services	1,063,498	36,177	-
350	Fines and Penalties	8,378	8,378	-
360	Miscellaneous Revenues	87,251	72,922	885
Total Operating Revenues:		1,880,862	644,515	28,981
<b>Operating Expenditures</b>				
510	General Government	139,112	139,112	-
520	Public Safety	303,688	303,688	-
530	Utilities	490,563	39,291	-
540	Transportation	65,094	-	65,094
550	Natural and Economic Environment	30,994	30,994	-
560	Social Services	-	-	-
570	Culture and Recreation	68,340	68,340	-
Total Operating Expenditures:		1,097,791	581,425	65,094
Net Operating Increase (Decrease):		783,071	63,090	(36,113)
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	55,309	20,567	-
391-393	Debt Proceeds	515,345	-	-
397	Transfers-In	93,223	10,000	54,936
Total Nonoperating Revenues:		663,876	30,567	54,936
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	13,230	13,230	-
591-593	Debt Service	238,021	-	-
594-595	Capital Expenditures	293,162	-	-
597	Transfers-Out	92,973	59,945	6,509
Total Nonoperating Expenditures:		637,386	73,175	6,509
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>809,562</b>	<b>20,482</b>	<b>12,314</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	192,206	-	-
5088000	Unreserved	1,872,085	279,000	13,336
<b>Total Ending Cash and Investments</b>		<b>2,064,292</b>	<b>279,000</b>	<b>13,336</b>

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

<b>102 Tourism Support Fund</b>	<b>103 Reet Fund</b>	<b>200 Debt Service Fund</b>	<b>300 Capital Improvement</b>	<b>401 Sewer Fund</b>	<b>402 Water Fund</b>
4,028	28,025	-	-	-	-
-	-	8,044	108,707	323,285	390,577
-	-	-	-	-	-
3,361	14,816	360	-	-	-
-	-	-	-	-	-
-	-	-	108,611	100	39,351
-	-	-	-	422,004	596,782
-	-	-	-	-	-
5	40	-	936	1,751	9,546
3,366	14,856	360	109,547	423,855	645,679
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	197,864	240,140
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	197,864	240,140
3,366	14,856	360	109,547	225,991	405,539
-	-	-	-	30,310	4,433
-	-	-	-	515,345	-
-	-	26,037	2,000	250	-
-	-	26,037	2,000	545,904	4,433
-	-	-	-	-	-
-	-	26,037	-	94,392	117,592
-	-	-	106,622	158,925	27,615
-	2,000	-	-	8,354	16,165
-	2,000	26,037	106,622	261,671	161,372
<b>3,366</b>	<b>12,856</b>	<b>360</b>	<b>4,925</b>	<b>510,225</b>	<b>248,600</b>
7,394	40,881	-	-	42,463	117,690
-	-	8,404	113,633	791,047	521,487
<b>7,394</b>	<b>40,881</b>	<b>8,404</b>	<b>113,633</b>	<b>833,510</b>	<b>639,177</b>

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

<b>403 Storm O &amp; M Fund</b>	<b>500 Equipment Rental And Reserve</b>
-	-
84,687	47,835
-	-
-	-
-	-
-	-
8,536	-
-	-
1,104	61
<u>9,640</u>	<u>61</u>
-	-
-	-
13,269	-
-	-
-	-
-	-
-	-
<u>13,269</u>	<u>-</u>
<u>(3,629)</u>	<u>61</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>(3,629)</u>	<u>61</u>
-	-
81,059	47,897
<u>81,059</u>	<u>47,897</u>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Street Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	26,039	-	-
30880	Unreserved	1,185,365	237,636	21,131
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	473,521	459,883	-
320	Licenses & Permits	16,648	16,648	-
330	Intergovernmental Revenues	216,552	70,152	27,147
340	Charges for Goods and Services	920,431	28,825	-
350	Fines & Penalties	8,993	8,993	-
360	Miscellaneous Revenues	78,097	13,859	257
Total Operating Revenues:		1,714,242	598,361	27,403
<b>Operating Expenditures</b>				
510	General Government	125,121	125,121	-
520	Public Safety	176,409	176,409	-
530	Utilities	498,299	25,248	-
540	Transportation	86,943	-	86,943
550	Natural and Economic Environment	78,483	71,358	-
560	Social Services	-	-	-
570	Culture And Recreation	98,922	98,922	-
Total Operating Expenditures:		1,064,177	497,058	86,943
Net Operating Increase (Decrease):		650,065	101,303	(59,540)
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	31,056	8,245	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	74,933	856	46,327
Total Nonoperating Revenues:		105,988	9,101	46,327
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	6,725	6,725	-
591-593	Debt Service	241,864	-	-
594-595	Capital Expenditures	363,103	18,270	-
597	Transfers-Out	72,364	51,336	6,509
Total Nonoperating Expenditures:		684,055	76,330	6,509
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>71,998</b>	<b>34,073</b>	<b>(19,722)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	32,053	-	-
5088000	Unreserved	1,251,350	271,709	1,409
<b>Total Ending Cash and Investments</b>		<b>1,283,403</b>	<b>271,709</b>	<b>1,409</b>

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

<b>102 Tourism Support Fund</b>	<b>103 Reet Fund</b>	<b>200 Debt Service Fund</b>	<b>300 Capital Improvement</b>	<b>401 Sewer Fund</b>	<b>402 Water Fund</b>
6,208	19,831	-	-	-	-
-	-	7,518	(10,546)	512,693	272,935
-	-	-	-	-	-
4,939	8,172	527	-	-	-
-	-	-	-	-	-
-	-	-	119,253	-	-
-	-	-	-	401,449	481,440
-	-	-	-	-	-
6	22	-	-	59,153	3,667
<u>4,945</u>	<u>8,194</u>	<u>527</u>	<u>119,253</u>	<u>460,602</u>	<u>485,107</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	235,191	224,811
-	-	-	-	-	-
7,125	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,191</u>	<u>224,811</u>
<u>(2,180)</u>	<u>8,194</u>	<u>527</u>	<u>119,253</u>	<u>225,411</u>	<u>260,296</u>
-	-	-	-	20,811	2,000
-	-	-	-	-	-
-	-	26,037	-	856	856
-	-	<u>26,037</u>	-	<u>21,667</u>	<u>2,856</u>
-	-	-	-	-	-
-	-	26,037	-	98,235	117,592
-	-	-	-	332,673	12,160
-	-	-	-	3,354	3,354
-	-	<u>26,037</u>	-	<u>434,261</u>	<u>133,106</u>
<b><u>(2,180)</u></b>	<b><u>8,194</u></b>	<b><u>527</u></b>	<b><u>119,253</u></b>	<b><u>(187,184)</u></b>	<b><u>130,046</u></b>
4,028	28,025	-	-	-	-
-	-	8,044	108,707	325,510	402,982
<b><u>4,028</u></b>	<b><u>28,025</u></b>	<b><u>8,044</u></b>	<b><u>108,707</u></b>	<b><u>325,510</u></b>	<b><u>402,982</u></b>

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

<b>403 Storm O &amp; M Fund</b>	<b>500 Equipment Rental And Reserve</b>
-	-
88,388	55,610
-	-
-	-
-	-
-	-
8,717	-
-	-
1,096	36
<u>9,814</u>	<u>36</u>
-	-
-	-
13,050	-
-	-
-	-
-	-
-	-
<u>13,050</u>	<u>-</u>
<u>(3,236)</u>	<u>36</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
-	-
-	-
-	-
-	7,811
<u>-</u>	<u>7,811</u>
<u>(3,236)</u>	<u>(7,775)</u>
-	-
85,152	47,835
<u>85,152</u>	<u>47,835</u>

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



**City of Roslyn**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2012**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Street Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	1,296,886	226,644	60,917
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	451,314	437,150	-
320	Licenses & Permits	15,507	15,507	-
330	Intergovernmental Revenues	527,189	31,586	30,516
340	Charges for Goods and Services	805,181	25,807	-
350	Fines & Penalties	12,513	8,924	-
360	Miscellaneous Revenues	31,166	19,896	5,315
Total Operating Revenues:		1,842,869	538,870	35,831
<b>Operating Expenditures</b>				
510	General Government	157,259	157,259	-
520	Public Safety	17,323	17,323	-
530	Utilities And Environment	556,818	16,050	-
540	Transportation	70,609	-	70,609
550	Economic Environment	59,046	59,046	-
560	Mental & Physical Health	-	-	-
570	Culture And Recreation	95,493	87,903	-
598	Intergovernmental Payments	178,261	178,261	-
Total Operating Expenditures:		1,134,810	515,843	70,609
Net Operating Increase (Decrease):		708,060	23,028	(34,778)
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	10,118	10,118	-
391-393	Debt Proceeds	25,068	-	-
397	Transfers-In	34,645	-	1,500
Total Nonoperating Revenues:		69,831	10,118	1,500
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	16,138	16,138	-
591-593	Debt Service	242,960	-	-
594-595	Capital Expenditures	570,123	-	-
597	Transfers-Out	34,644	6,509	6,509
Total Nonoperating Expenditures:		863,865	22,647	6,509
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(85,974)</b>	<b>10,499</b>	<b>(39,787)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	26,039	-	-
5088000	Unreserved	1,185,365	237,636	21,131
<b>Total Ending Cash and Investments</b>		<b>1,211,404</b>	<b>237,636</b>	<b>21,131</b>

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

<b>102 Tourism Support Fund</b>	<b>103 Reet Fund</b>	<b>200 Debt Service Fund</b>	<b>300 Capital Improvement</b>	<b>401 Sewer Fund</b>	<b>402 Water Fund</b>
-	-	-	-	-	-
6,305	19,305	6,440	34,346	510,680	225,998
-	-	-	-	-	-
5,481	7,605	1,078	-	-	-
-	-	-	-	-	-
-	-	-	465,086	-	-
-	-	-	-	372,918	399,070
-	-	-	-	10	3,578
2,011	28	-	62	2,057	1,546
<u>7,493</u>	<u>7,634</u>	<u>1,078</u>	<u>465,148</u>	<u>374,985</u>	<u>404,194</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	252,934	228,176
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,590	-	-	-	-	-
-	-	-	-	-	-
<u>7,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,934</u>	<u>228,176</u>
<u>(97)</u>	<u>7,634</u>	<u>1,078</u>	<u>465,148</u>	<u>122,051</u>	<u>176,018</u>
-	-	-	-	-	-
-	-	-	-	25,068	-
-	-	26,037	7,108	-	-
<u>-</u>	<u>-</u>	<u>26,037</u>	<u>7,108</u>	<u>25,068</u>	<u>-</u>
-	-	-	-	-	-
-	-	26,037	-	99,332	117,592
-	-	-	517,148	42,420	8,136
-	7,108	-	-	3,353	3,354
<u>-</u>	<u>7,108</u>	<u>26,037</u>	<u>517,148</u>	<u>145,105</u>	<u>129,082</u>
<u>(97)</u>	<u>526</u>	<u>1,078</u>	<u>(44,892)</u>	<u>2,014</u>	<u>46,936</u>
6,208	19,831	-	-	-	-
-	-	7,518	(10,546)	512,693	272,935
<u>6,208</u>	<u>19,831</u>	<u>7,518</u>	<u>(10,546)</u>	<u>512,693</u>	<u>272,935</u>

The accompanying notes are an integral part of this statement.

<b>403 Storm O &amp; M Fund</b>	<b>500 Equipment Rental And Reserve</b>
-	-
142,914	63,336
-	-
-	-
-	-
-	-
7,386	-
-	-
164	86
<u>7,550</u>	<u>86</u>
-	-
-	-
59,658	-
-	-
-	-
-	-
-	-
-	-
<u>59,658</u>	<u>-</u>
<u>(52,108)</u>	<u>86</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
-	-
-	-
2,418	-
-	7,811
<u>2,418</u>	<u>7,811</u>
<b>(54,526)</b>	<b>(7,725)</b>
-	-
88,388	55,610
<b>88,388</b>	<b>55,610</b>

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

## REPORTING

### Notes to the Financial Statement January 1, 2014 through December 31, 2014

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

The City of Roslyn was incorporated in 1891 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of government. The City is a general purpose government and provides water, sewer, public safety, fire prevention, street improvement, parks and recreation, and general administrative services.

The City of Roslyn reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.  
The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Ending balances are not presented using the classifications defined in GAAP.

#### A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City 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:

#### GOVERNMENTAL FUND TYPES:

##### General (Current Expense) Fund

This fund 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.

### 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 on a cost reimbursement basis.

### FIDUCIARY FUND TYPES:

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

#### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

#### Agency Funds

These funds are used to account assets that 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 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 adopts annual appropriated budgets for the general, special revenue, debt service, capital projects, and proprietary 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 budgets were as follow (does not include amounts appropriated for ending fund balances):

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund:	928,800.14	654,600.41	274,199.73
101 Street Fund	82,295.38	71,603.16	10,692.22
102 Tourism Support Fund	7,944.17	-	7,944.17
103 REET Fund	31,514.16	2,000.00	29,514.16
200 Debt Service Fund	34,981.06	26,036.71	8,944.35
300 Capital Improvement Fund	219,633.28	106,621.58	113,011.70
401 Sewer O & M Fund	762,600.77	344,843.17	417,757.60
402 Water O & M Fund	856,950.09	373,896.64	483,053.45
403 Storm O & M Fund	41,740.48	13,268.53	28,471.95
407 Sewer Bond Reserve Fund	73,125.00	-	73,125.00
408 Water Bond Reserve Fund	117,690.34	-	117,690.34
411 Sewer Debt Service Fund	95,329.57	57,142.19	38,187.38
412 Water Debt Service Fund	117,592.00	117,592.00	-
431 Sewer Capital Fund	524,486.82	158,924.95	365,561.87
432 Water Capital Fund	177,214.33	27,615.49	149,598.84
433 Storm Capital Fund	51,512.45	-	51,512.45
500 ER&R Fund	47,895.43	-	47,895.43
Total	4,171,305.47	1,954,144.83	2,217,160.64

In the funds that show a positive number in the variance column the additional money was rolled into the ending fund balances. In funds that show a negative number in the variance column the additional funds needed were removed from the ending fund balance as part of the budget.

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

D. Cash

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

F. Investments See Note 2 *Investments*.

G. Capital Assets

The capital assets of the City of Roslyn are recorded as expenditures when purchased.

H. Compensated Absences

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

Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees Upon separation or retirement employees do receive payment for unused sick leave if the employee has at least ten (10) years of employment with the City of Roslyn.

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

J. Other Financing Sources or Uses

The City's Other Financing Sources or Uses consist of transfers in and out between funds, and non-revenues and non-expenditures which are agency collections and disbursements for park cleaning deposits, grave restoration fees, and investment proceeds and purchases.

K. Risk Management

The City of Roslyn 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 Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 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 coverages are 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 per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million in 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 a 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 Interlocal 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.

L. Reserved Fund Balance

The City uses reserved fund balances to show when funds are restricted by ordinance, resolution, or bond covenants.

	Description	Reserved Funds	Description
102	Tourism Support Fund	\$ 7,934.06	All Hotel/Motel Tax funds are reserved for tourism support
103	REET Fund	\$ 40,880.99	All REET funds are reserved for Capital Improvement Expenses
401	Sewer O&M Fund	\$ 42,463.00	One Year's Debt Payments
408	Water Bond Reserve Fund	\$ 117,717.12	One Year's Debt Payments
	<b>Total</b>	<b>\$ 208,995.17</b>	

**Note2 - Investments**

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

At this time no investments have been purchased as the interest rates are lower than what is being earned in the savings accounts.

**Note3 - 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. 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 \$2.176433 per \$1,000 on an assessed valuation of \$87,758,254 for a total regular levy of \$190,999.96.

**Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2014.



The debt service requirements for general obligation bonds, revenue bonds and loans including both principle and interest, are as follows:

	Principal	Interest	Total
<b>2015</b>	\$ 153,146.12	\$ 121,922.84	\$ 275,068.96
<b>2016</b>	\$ 116,421.38	\$ 116,195.42	\$ 232,616.80
<b>2017</b>	\$ 120,994.45	\$ 111,570.18	\$ 232,564.63
<b>2018</b>	\$ 99,427.14	\$ 107,048.62	\$ 206,475.76
<b>2019</b>	\$ 103,270.87	\$ 103,152.73	\$ 206,423.60
<b>2020-2024</b>	\$ 565,774.33	\$ 453,018.25	\$ 1,018,792.58
<b>2025-2029</b>	\$ 636,474.90	\$ 331,625.10	\$ 968,100.00
<b>2030-2034</b>	\$ 616,165.60	\$ 185,956.67	\$ 802,122.27
<b>2035-2039</b>	\$ 277,526.90	\$ 92,781.25	\$ 370,308.15
<b>2040-2044</b>	\$ 166,904.32	\$ 45,410.68	\$ 212,315.00
<b>2045-2049</b>	\$ 117,333.56	\$ 8,128.02	\$ 125,461.58
<b>Totals</b>	\$ 2,973,439.57	\$ 1,676,809.76	\$ 4,650,249.33

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

Substantially all City full-time and qualifying part-time employees participate in PERS Plan 2 and PERS Plan 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

#### **Note 6 - Other Disclosures**

In 2004 the courts took away Roslyn's water right for personal use of water in drought years. Roslyn was forced to hire a water rights broker, WestWater Research to locate and purchase pre-1908 water rights. Grant funds were obtained from the Washington State Department of Ecology to purchase water rights, and a water Attorney, Adam Gravley of Gordon Derr (formerly WestWater Research), was hired to facilitate the process of water adjudication for the City, which is ongoing. In 2005 a small water right was found and purchased, but a group of irrigation companies objected to the transfer of this right to Roslyn's source. The water rights were officially turned over to the City in January 2010 and the City is currently working with the Department of Ecology and the Bureau of Reclamation to finalize agreements for mitigation water leasing.

Construction for Phase 1b of the Old City Hall renovation project began in 2011 and finished in the late 2012. Phase 1b was established with the intent to use the remaining grant funds and to provide an

accessible, safe environment for the library and Council Chambers to return too. Fundraising efforts continue and the ultimate plan is the complete renovation of this historic landmark building. The Capital Projects Fund (300 fund) ended 2012 with a negative balance due to an outstanding grant reimbursement request.

The City of Roslyn was a party to the AT&T (now New Cingular Wireless) tax refund claims lawsuit. In 2013 the City settled with New Cingular Wireless for an amount less than the original claim.

## REPORTING

### Notes to the Financial Statement January 1, 2013 through December 31, 2013

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

The City of Roslyn 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 Roslyn was incorporated in 1891 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of government. The City is a general purpose government and provides water, sewer, public safety, fire prevention, street improvement, parks and recreation, and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City 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:

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

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

This fund 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.

##### **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 on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

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

### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

### Agency Funds

These funds are used to account assets that 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 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 adopts annual appropriated budgets for the general, special revenue, debt service, capital projects, and proprietary 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 budgets were as follow (does not include amounts appropriated for ending fund balances):

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund:	752,168.82	586,471.39	165,697.43
101 Street Fund	87,267.94	93,838.90	(6,570.96)
102 Tourism Support Fund	5,391.22	7,125.00	(1,733.78)
103 REET Fund	25,875.39	-	25,875.39
200 Debt Service Fund	32,476.55	26,036.72	6,439.83
300 Capital Improvement Fund	174,005.12	-	174,005.12
401 Sewer O & M Fund	778,615.25	626,658.31	151,956.94
402 Water O & M Fund	440,133.49	363,314.73	76,818.76
403 Storm O & M Fund	43,741.91	11,137.22	32,604.69
407 Sewer Bond Reserve Fund	82,184.58	-	82,184.58
408 Water Bond Reserve Fund	117,592.00	-	117,592.00
411 Sewer Debt Service Fund	97,179.57	98,234.83	(1,055.26)
412 Water Debt Service Fund	117,592.00	117,592.00	-
431 Sewer Capital Fund	888,398.21	327,518.86	560,879.35
432 Water Capital Fund	516,676.32	7,006.40	509,669.92
433 Storm Capital Fund	34,717.40	10,479.96	24,237.44
500 ER&R Fund	55,559.48	7,811.02	47,748.46
Total	4,249,575.25	2,283,225.34	1,966,349.91

In the funds that show a positive number in the variance column the additional money was rolled into the ending fund balances. In funds that show a negative number in the variance column the additional funds needed were removed from the ending fund balance as part of the budget.

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

D. Cash

It is the City'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 or (if not prorated, explain your unique circumstances).

E. Deposits

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

F. Investments See Note 2 *Investments*.

G. Capital Assets

The capital assets of the City of Roslyn are recorded as expenditures when purchased.

H. Compensated Absences

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

Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees Upon separation or retirement employees do receive payment for unused sick leave if the employee has at least ten (10) years of employment with the City of Roslyn.

I. Long-Term Debt See Note 4 *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of transfers in and out between funds, and non-revenues and non-expenditures which are agency collections and disbursements for park cleaning deposits, grave restoration fees, and investment proceeds and purchases.

K. Risk Management

The City of Roslyn 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 Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 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 coverages are 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 per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million in 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 a 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 Interlocal 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.

**M. Reserved Fund Balance**

The City uses reserved fund balances to show when funds are restricted by ordinance, resolution, or bond covenants.

	Description	Reserved Funds	Description
<b>102</b>	Tourism Support Fund	\$ 4,027.95	All Hotel/Motel Tax funds are reserved for tourism support
<b>103</b>	REET Fund	\$ 28,025.11	All REET funds are reserved for Capital Improvement Expenses
	<b>Total</b>	<b>\$ 32,053.06</b>	

**Note 2 - Investments**

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

At this time no investments have been purchased as the interest rates are lower than what is being earned in the savings accounts.

**Note 3 - Property Tax**

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

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

The City's regular levy for the year 2013 was \$2.153190 per \$1,000 on an assessed valuation of \$87,734,761 for a total regular levy of \$188,909.61.

**Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and loans including both principle and interest, are as follows:

	Principal	Interest	Total
<b>2014</b>	\$124,990.10	\$113,666.01	\$238,656.11
<b>2015</b>	\$133,753.10	\$107,750.86	\$241,503.96
<b>2016</b>	\$96,495.05	\$102,556.75	\$199,051.80
<b>2017</b>	\$100,520.14	\$98,479.49	\$198,999.63
<b>2018</b>	\$78,389.79	\$94,520.97	\$172,910.76
<b>2019-2023</b>	\$442,243.83	\$421,527.34	\$863,771.17
<b>2024-2028</b>	\$478,712.60	\$321,562.41	\$800,275.01
<b>2029-2033</b>	\$517,921.45	\$197,183.82	\$715,105.27
<b>2034-2038</b>	\$290,438.37	\$105,796.63	\$396,235.00
<b>2039-2043</b>	\$170,427.38	\$52,022.74	\$222,450.12
<b>2044-2048</b>	\$153,466.08	\$14,458.50	\$167,924.58
<b>Totals</b>	<b>\$2,587,357.89</b>	<b>\$1,629,525.52</b>	<b>\$4,216,883.41</b>

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

Substantially all City full-time and qualifying part-time employees participate in PERS Plan 2 and PERS Plan 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

#### **Note 6 - Other Disclosures**

In 2004 the courts took away Roslyn's water right for personal use of water in drought years. Roslyn was forced to hire a water rights broker, WestWater Research to locate and purchase pre-1908 water rights. Grant funds were obtained from the Washington State Department of Ecology to purchase water rights, and a water Attorney, Adam Gravley of Gordon Derr (formerly WestWater Research), was hired to facilitate the process of water adjudication for the City, which is ongoing. In 2005 a small water right was found and purchased, but a group of irrigation companies objected to the transfer of this right to Roslyn's source. The water rights were officially turned over to the City in January 2010 and the City is currently working with the Department of Ecology and the Bureau of Reclamation to finalize agreements for mitigation water leasing.

Construction for Phase 1b of the Old City Hall renovation project began in 2011 and finished in the late 2012. Phase 1b was established with the intent to use the remaining grant funds and to provide an accessible, safe environment for the library and Council Chambers to return too. Fundraising efforts



continue and the ultimate plan is the complete renovation of this historic landmark building. The Capital Projects Fund (300 fund) ended 2012 with a negative balance due to an outstanding grant reimbursement request.

The City of Roslyn was a party to the AT&T (now New Cingular Wireless) tax refund claims lawsuit. In 2013 the City settled with New Cingular Wireless for an amount less than the original claim.

## REPORTING

### Notes to the Financial Statement (C-4), January 1, 2012 through December 31, 2012

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

The City of Roslyn 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 Roslyn was incorporated in 1891 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of government. The City is a general purpose government and provides water, sewer, public safety, fire prevention, street improvement, parks and recreation, and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

#### A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City 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:

#### GOVERNMENTAL FUND TYPES:

##### General (Current Expense) Fund

This fund 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.

##### 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 on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

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

### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

### Agency Funds

These funds are used to account assets that 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 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 adopts annual appropriated budgets for the general, special revenue, debt service, capital projects, and proprietary 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 budgets were as follow (does not include amounts appropriated for ending fund balances):

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund:	746,751.78	537,996.75	208,755.03
101 Street Fund	102,081.53	77,117.69	24,963.84
102 Tourism Support Fund	11,326.22	7,590.44	3,735.78
103 REET Fund	24,105.39	7,108.03	16,997.36
200 Debt Service Fund	32,476.55	26,036.71	6,439.84
300 Capital Improvement Fund	620,935.88	517,148.21	103,787.67
401 Sewer O & M Fund	761,435.62	365,725.22	395,710.40
402 Water O & M Fund	415,717.93	351,875.59	63,842.34
403 Storm O & M Fund	54,614.25	11,564.76	43,049.49
407 Sewer Bond Reserve Fund	77,888.28	-	77,888.28
408 Water Bond Reserve Fund	117,690.34	-	117,690.34
411 Sewer Debt Service Fund	99,331.75	99,331.75	-
412 Water Debt Service Fund	117,592.00	117,592.00	-
431 Sewer Capital Fund	747,848.21	36,810.30	711,037.91
432 Water Capital Fund	93,992.32	5,382.43	88,609.89
433 Storm Capital Fund	96,475.97	50,511.83	45,964.14
500 ER&R Fund	63,335.50	7,811.02	55,524.48
Total	4,183,599.52	2,219,602.73	1,963,996.79

In the funds that show a positive number in the variance column the additional money was rolled into the ending fund balances. In funds that show a negative number in the variance column the additional funds needed were removed from the ending fund balance as part of the budget.

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

D. Cash

It is the City'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 or (if not prorated, explain your unique circumstances).

E. Deposits

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

F. Investments See Note 2, *Investments*.

G. Capital Assets

The capital assets of the City of Roslyn are recorded as expenditures when purchased.

H. Compensated Absences

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

Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees Upon separation or retirement employees do receive payment for unused sick leave if the employee has at least ten (10) years of employment with the City of Roslyn.

I. Long-Term Debt See Note 4 *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's Other Financing Sources or Uses consist of transfers in and out between funds, and non-revenues and non-expenditures which are agency collections and disbursements for park cleaning deposits, grave restoration fees, and investment proceeds and purchases.

K. Risk Management

The City of Roslyn 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 Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2012, 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 coverages are 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 boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members 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. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. Since AWC RMSA is a cooperative program, there is a 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 Interlocal 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.

L. Reserved Fund Balance

The City uses reserved fund balances to show when funds are restricted by ordinance, resolution, or bond covenants.

	Description	Reserved Funds	Description
102	Tourism Support Fund	\$ 6,207.73	All Hotel/Motel Tax funds are reserved for tourism support
103	REET Fund	\$ 19,831.05	All REET funds are reserved for Capital Improvement Expenses
	Total	\$ 26,038.78	

**Note2 - Investments**

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

At this time no investments have been purchased as the interest rates are lower than what is being earned in the savings accounts.

**Note 3 - Property Tax**

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

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

The City's regular levy for the year 2012 was \$1.205215 per \$1,000 on an assessed valuation of \$154,091,554.00 for a total regular levy of \$185,713.45.

**Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2012.

The debt service requirements for general obligation bonds, revenue bonds and loans including both principle and interest, are as follows:

	Principal	Interest	Total
<b>2013</b>	\$121,399.65	\$119,408.65	\$240,808.30
<b>2014</b>	\$124,990.10	\$113,666.01	\$238,656.11
<b>2015</b>	\$133,753.10	\$107,750.86	\$241,503.96
<b>2016</b>	\$96,495.05	\$102,556.75	\$199,051.80
<b>2017</b>	\$100,520.14	\$98,479.49	\$198,999.63
<b>2018-2022</b>	\$424,947.37	\$439,084.80	\$864,032.17
<b>2023-2027</b>	\$469,603.33	\$343,266.44	\$812,869.77
<b>2028-2032</b>	\$571,658.01	\$224,255.26	\$795,913.27
<b>2033-2037</b>	\$278,382.78	\$117,852.22	\$396,235.00
<b>2038-2042</b>	\$198,840.83	\$60,393.29	\$259,234.12
<b>2043-2047</b>	\$188,167.18	\$22,220.40	\$210,387.58
<b>Totals</b>	<b>\$2,708,757.54</b>	<b>\$1,748,934.17</b>	<b>\$4,457,691.71</b>

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

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#### **Note 6 - Other Disclosures**

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The City of Roslyn was a party to the AT&T (now New Cingular Wireless) tax refund claims lawsuit. In 2013 the City settled with New Cingular Wireless for an amount less than the original claim.



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

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligations</b>						
263.96	Grader Loan - BONY	12/1/2017	93,827	-	21,829	71,998
<b>Total General Obligations:</b>			<b>93,827</b>	<b>-</b>	<b>21,829</b>	<b>71,998</b>
<b>Revenue Obligations</b>						
252.11	Sewer Bond - BONY	10/1/2015	75,000	-	35,000	40,000
252.11	Sewer Loan - DOE	8/9/2029	19,498	-	1,796	17,702
252.11	Water Loan - USDA - 1992	11/19/2032	972,726	-	32,922	939,804
252.11	Water Loan - USDA - 1998	7/28/2038	548,433	-	11,707	536,726
252.11	Sewer Loan - USDA - 2007	1/12/2047	768,897	-	10,747	758,150
252.11	Sewer Loan - USDA - 2012	7/16/2054	-	515,345	-	515,345
263.82	Sewer Loan - PWTF - 2004	7/1/2023	104,325	-	10,434	93,891
259.12	Compensated Absences		38,319	17,149	-	55,468
<b>Total Revenue Obligations:</b>			<b>2,527,198</b>	<b>532,494</b>	<b>102,606</b>	<b>2,957,086</b>
<b>Total Liabilities:</b>			<b>2,621,025</b>	<b>532,494</b>	<b>124,435</b>	<b>3,029,084</b>

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

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligations</b>						
263.96	LOCAL -Grader Loan	12/1/2017	114,654	-	20,827	93,827
<b>Total General Obligations:</b>			<b>114,654</b>	<b>-</b>	<b>20,827</b>	<b>93,827</b>
<b>Revenue Obligations</b>						
252.11	DOE - Sewer Loan	8/9/2029	21,322	-	1,824	19,498
252.11	USDA - Water - 1992	11/19/1932	1,004,045	-	31,319	972,726
252.11	USDA - Water 1998	7/28/2038	560,138	-	11,705	548,433
252.11	USDA - Sewer 2007	1/12/2047	779,217	-	10,320	768,897
252.11	LOCAL - Sewer 1994	10/1/2015	110,000	-	35,000	75,000
263.82	PWTF - Sewer 2004	7/1/2023	114,757	-	10,432	104,325
259.12	Compensated Absences		35,778	2,541	-	38,319
<b>Total Revenue Obligations:</b>			<b>2,625,257</b>	<b>2,541</b>	<b>100,600</b>	<b>2,527,198</b>
<b>Total Liabilities:</b>			<b>2,739,911</b>	<b>2,541</b>	<b>121,427</b>	<b>2,621,025</b>

**City of Roslyn**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2012**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligations</b>						
263.96	G. O. Debt, Issued 3/14/2008; Grader purchased through LOCAL Program, Debt serviced by Bank of New York General Fund Portion	12/1/2017	107,619	-	15,896	91,723
263.96	Revenue Debt, Issued 3/14/2008; Grader purchased through LOCAL Program, Debt serviced by Bank of New York Proprietary Fund Portion	12/1/2017	26,905	-	3,974	22,931
259.11	G.O. Liability - Compensated Absences; (Leave Balance Buy Outs)		20,771	-	2,676	18,095
<b>Total General Obligations:</b>			<b>155,295</b>	<b>-</b>	<b>22,546</b>	<b>132,749</b>
<b>Revenue Obligations</b>						
252.11	Revenue Debt, Issued 3/31/2004; Sewer Dept of Ecology	8/9/2029	23,092	-	1,770	21,322
252.11	Revenue Debt, Issued 11/13/1992; Water USDA	11/19/2032	1,033,840	-	29,795	1,004,045
252.11	Revenue Debt, Issued 4/1/1994; Sewer Bank of New York	10/1/2015	145,000	-	35,000	110,000
252.11	Revenue Debt, Issued 7/28/1998; Water USDA	7/28/2038	571,333	-	11,195	560,138
252.11	Revenue Debt, Issued 1/12/2007; Sewer USDA	1/12/2047	789,128	-	9,911	779,217
263.82	Revenue Debt, Issued 7/1/2004; Sewer Public Works Trust Fund	7/1/2023	125,189	-	10,432	114,757
259.12	Revenue Liability - Compensated Absences; (Leave Balance Buy Outs)		17,473	210	-	17,683
<b>Total Revenue Obligations:</b>			<b>2,705,055</b>	<b>210</b>	<b>98,103</b>	<b>2,607,162</b>
<b>Total Liabilities:</b>			<b>2,860,350</b>	<b>210</b>	<b>120,649</b>	<b>2,739,911</b>

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Deputy Director for Communications</b>	Adam Wilson <a href="mailto:Adam.Wilson@sao.wa.gov">Adam.Wilson@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>