



**Washington State Auditor's Office**

Government that works for citizens

## **Financial Statements Audit Report**

# **City of Ridgefield**

**Clark County**

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

**Published June 9, 2016**

**Report No. 1016888**





## Washington State Auditor's Office

June 9, 2016

Mayor and City Council  
City of Ridgefield  
Ridgefield, Washington

### Report on Financial Statements

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

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

Sincerely,

A handwritten signature in blue ink that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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

**City of Ridgefield  
Clark County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Ridgefield  
Ridgefield, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ridgefield, Clark County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2016.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As discussed in Note 17 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 3, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Ridgefield Clark County January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Ridgefield  
Ridgefield, Washington

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ridgefield, Clark County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ridgefield, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Real Estate Excise and Park Impact Fee funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis Regarding Correction of Prior Year Misstatement**

As discussed in Note 17 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 20 and pension plan information on pages 67 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 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.



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

June 3, 2016

## **FINANCIAL SECTION**

**City of Ridgefield  
Clark County  
January 1, 2015 through December 31, 2015**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2015

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of  
Governmental Funds to the Statement of Activities – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances Budget (GAAP  
Basis) and Actual – General Fund – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances Budget (GAAP  
Basis) and Actual – Real Estate Excise Fund – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances Budget (GAAP  
Basis) and Actual – Park Impact Fee Fund – 2015

Statement of Fund Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Notes to Financial Statements – 2015

### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 2-3 – 2015

Schedule of Proportionate Share of the Net Pension Liability – LEOFF 2 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Employer Contributions – PERS 2-3 – 2015

Schedule of Employer Contributions – LEOFF 2 – 2015

Notes to Required Supplemental Information – Pension – 2015

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**December 31, 2015**

The City of Ridgefield's discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended December 31, 2015. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow. The City of Ridgefield is reporting on a government-wide basis as required by the GASB 34 reporting standards.

**FINANCIAL HIGHLIGHTS**

- City of Ridgefield assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$58.0 million, a \$3.8 million decrease from 2014.
- Net Investment in Capital Assets account for about 85.5 percent of net position, with a value of \$49.6 million.
- Of the remaining 14.5 percent of net position that totals \$7.4 million, approximately \$9.9 million can be used to fund capital projects or to pay obligations to creditors. The unrestricted net position is a deficit of \$2.5 million.
- The government's total net position showed an overall decrease of \$3.8 million which results from a decrease of \$5.2 million in unrestricted net position.
- The City's governmental funds reported combined ending fund balances of \$8.6 million, with \$6.1 million restricted for capital related purposes, \$978,035 restricted for building related activities, \$431,385 assigned by the City to be used for specific purposes, and \$1,020,276 allocated to unassigned fund balance and not assigned for any specific purpose.
- Debt associated with bonds, notes and loans payable decreased by \$1.6 million, and the liability associated with developer impact and system development charge credits increased by over \$1.9 million, ending the year at \$4.0 million. The liability outstanding at December 31, 2015 is associated with traffic and park impact fee credits.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis provides an introduction and overview to the City of Ridgefield's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other supplementary information in addition to the basic financial statements. This financial discussion and analysis should assist the reader in understanding the City's financial condition.

**Basic financial statements**

The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and, 3) notes to the financial statements. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

**Government-wide financial statements**

Government-wide financial statements provide readers with a broad overview of the City of Ridgefield's finances in a manner similar to a private-sector business, distinguishing functions of the City of Ridgefield that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of the City of Ridgefield include a full range of local government services provided to the public, such as law enforcement and public safety; road construction and maintenance; community planning and development; parks and recreation facilities; and other community services. In addition, other general government services are provided, such as, tax collection, and the issuance of permits and licenses. The business-type activities of the City of Ridgefield include water, sewer treatment and storm water utility management and operation.

**The statement of net position** presents information on all of the City of Ridgefield's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**December 31, 2015**

**The statement of activities** presents information showing how the government's net position changed during the year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent each program relies on taxes for funding. All changes in net position are reported using the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are reported when the goods and services are received. Items such as uncollected taxes, unpaid vendor invoices for items received in 2015, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items was not received or distributed in 2015.

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ridgefield, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. All of the funds of the City fall into two categories: governmental funds and proprietary funds. Governmental Funds account for most, if not all, of a government's tax-supported activities. Proprietary Funds account for a government's business-type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities.

**Governmental funds**

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, the Real Estate Excise Tax Fund, The Park Impact Fee Fund and the Capital Projects Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focal point of governmental fund financial statements is narrower than that of government-wide financial statements accrual basis focus, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The City maintains budgetary controls over its operating funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by position and by prorating the costs based on time allocation to the various funds. Budgetary variances are discussed later in this section.

**Proprietary funds**

There are two types of proprietary funds – enterprise and internal service, and currently, the City uses one type of proprietary fund, which is an enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The three enterprise funds used to account for the utility operations and capital projects are water, sewer and storm water.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Position to the business-type column on the government-wide Statement of Net Position, the total net position agrees, and therefore need no reconciliation. In

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**December 31, 2015**

comparing the total assets and total liabilities between the same two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City of Ridgefield's net position total equals \$57,998,866. The following is a condensed version of the Government-Wide Statement of Net Position:

City of Ridgefield's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,686	\$ 8,369	\$ 6,675	\$ 6,587	\$ 16,361	\$ 14,956
Capital assets (Net of depr)	33,780	32,881	16,160	20,438	49,940	53,319
Total Assets	43,466	41,250	22,835	27,025	66,301	68,275
Deferred amount related to pensions	229	-	83	-	312	-
Deferred amounts on refunding	-	-	9	11	9	11
Total deferred outflows of resources	229	-	92	11	321	11
Current and other liabilities	4,491	2,706	418	378	4,909	3,084
Long-Term liabilities	1,245	154	2,192	3,235	3,437	3,389
Total Liabilities	5,736	2,860	2,610	3,613	8,346	6,473
Deferred amounts related to pensions	211	-	67	-	278	-
Total deferred inflows related to pensions	211	-	67	-	278	-
Net Position:						
Net Investment in capital assets	33,779	32,881	15,820	17,284	49,599	50,165
Restricted	7,106	4,929	3,755	3,974	10,861	8,903
Unrestricted	(3,137)	580	676	2,165	(2,461)	2,745
Total Net Position	\$ 37,748	\$ 38,390	\$ 20,251	\$ 23,423	\$ 57,999	\$ 61,813

The largest portion of current and other assets is cash and investments which comprises \$13.8 million at the end of 2015 compared to \$13.7 million at the end of 2014. Capital assets, net of accumulated depreciation decreased \$3.3 million. This was mainly caused by the transfer of sewer operations to the Alliance, decreasing assets by \$5.1 million, additions of capital assets of \$3.7 million, disposal of land \$578 thousand, offset with accumulated depreciation of \$1.4 million represents the remaining change.

Current and other liabilities increased \$1.9 million due to a settlement with a developer for future traffic impact fee credits.

The governmental activities long-term liabilities increased due to the addition of \$983,519 in Net Pension Liability upon implementation of a new accounting standard. Deferred inflows and outflows related to pension activity is now required to be presented in the statements as well. Likewise, net pension liability of \$431,377 was recognized in the business type activities column.

**CITY OF RIDGEFIELD**  
***Management's Discussion and Analysis***  
***December 31, 2015***

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Business type long-term liabilities decreased with a \$1.4 million removal of debt during the transfer of operations to the Alliance, offset by addition of \$431,777 in net pension liability.

Investment in capital assets, less any related debt used to acquire those assets that is still outstanding, represents 85.5% of the City's net position, totaling \$49.6 million. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. At the end of 2015, the City also had a net position of \$10.9 million or 18.7% of the total that was subject to external restrictions on how these funds can be spent. This increased nearly \$2 million due to the accumulation of restricted Park Impact fees and Real Estate Excise Tax funds which will be used on future projects and nearly \$1 million in restrictions related to building permit revenue use.

The remaining balance is unrestricted net position and represents the amount that may be used to meet the City's ongoing obligations. The City is presenting deficit unrestricted net position in the governmental activities column of the 2015 statement of net position. The \$3.1 million deficit in the governmental activities is a result of recognizing over \$2 million in traffic impact fee credits, \$984 thousand in net pension liabilities and \$978,035 in restrictions of building related fees. The business-type activities column presents \$676,250 in unrestricted net position, this is down from \$2.2 million at the end of 2014. The Sewer utility transferred \$1.2 million unrestricted cash to the Alliance. Additionally, the business-type activities recognized over \$430,000 in net pension liabilities further contributing to the decline.

At December 31, 2015, the City of Ridgefield reports positive balances in all three categories of net position for business-type activities, but with the implementation of the accounting standards surrounding pension accounting and increase in impact fee credit liability, only two categories are positive for governmental activities.

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**December 31, 2015**

**Statement of Activities**

The City's total Net Position decreased by \$3.8 million, ending at \$57,998,866. The following is a condensed version of the Statement of Activities for the City. The full statement is a tabular depiction of the relationship of revenues and expenses for the City's governmental activities and proprietary funds.

City of Ridgefield's Statement of Activities (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,443	\$ 1,791	\$ 2,537	\$ 2,354	\$ 4,980	\$ 4,145
Operating grants/contributions	131	96	-	-	131	96
Capital grants/contributions	1,042	1,800	1,511	1,285	2,553	3,085
General revenues:						
Property taxes	921	861	-	-	921	861
Sales taxes	1,134	1,146	-	-	1,134	1,146
Utility taxes	898	715	-	-	898	715
Excise taxes	642	466	-	-	642	466
Interest income	55	61	93	42	148	103
Other revenue	466	269	-	-	466	269
<b>Total Revenues</b>	<b>7,732</b>	<b>7,205</b>	<b>4,141</b>	<b>3,681</b>	<b>11,873</b>	<b>10,886</b>
<b>Expenses:</b>						
General Government	1,545	1,518			1,545	1,518
Judicial	119	121			119	121
Public Safety	1,458	1,199			1,458	1,199
Utilities	24	65			24	65
Transportation	1,338	977			1,338	977
Natural and Economic Environment	1,038	598			1,038	598
Culture and Recreation	423	393			423	393
Water			1,296	1,125	1,296	1,125
Sewer			959	973	959	973
Stormwater			401	289	401	289
<b>Total Expenses</b>	<b>5,945</b>	<b>4,871</b>	<b>2,656</b>	<b>2,387</b>	<b>8,601</b>	<b>7,258</b>
Excess (deficiency) before special items and transfers	1,787	2,334	-		3,272	3,628
Special Item	-	-	(3,822)	(11,899)	(3,822)	(11,899)
Transfers	515		(515)		-	-
Change in Net Position	2,302	2,334	(2,852)	(10,605)	(550)	(8,271)
Beginning Net Position	38,390	36,003	23,424	34,048	61,814	70,051
Change in acct principle	(838)	-	(414)	-	(1,252)	-
Prior Period Adjustment	(2,106)	53	93	(20)	(2,013)	33
<b>Ending Net Position</b>	<b>\$ 37,748</b>	<b>\$ 38,390</b>	<b>\$ 20,251</b>	<b>\$ 23,423</b>	<b>\$ 57,999</b>	<b>\$ 61,813</b>

**Governmental Activity Analysis**

Charges for services moved into the largest sources of revenue in 2015, surpassing capital grants and contributions. The largest amounts result from services provided to developers for economic development and from billing for administrative services and overhead charged to the utilities operated by the City. Economic development fees increased by over \$612,000 (63%), because of an increase in residential housing permits from 104 (2014) to 228 (2015). Capital grants and contributions decreased by \$0.8 million or 42% from what was recorded in 2014. The continued decrease in this category dropped it to the second largest source of funding and ended the year at over \$1.1 million. Out of the \$1.1 million in capital grants and contributions, \$954,146 pertains to private developer contributed capital with a small amount from capital grants. Capital contributions received from private developers incorporate 1) the



**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
**December 31, 2015**

actual cost to construct the assets received by the city and, 2) a reduction for the amount recorded during the year as the amount a developer used in impact fee credits. Contributed assets are mainly associated with transportation infrastructure, such as streets, street lights, curbs and sidewalks, and land received for parks and trails.

The main source of tax revenue comes from sales tax, and a close second source of tax revenue comes from property taxes. Sales and use taxes total \$1,133,691, down 1% from 2014. Sales tax remained stable as the growth of the economy continued to stabilize in 2015. Construction and building sales and activities is one of the major sources for generating retail sales tax. In 2015 single family residential permits increased significantly from 2014, however the city did not see any commercial construction resulting in flat sales tax revenue despite the continued residential development in the City. Property taxes totaled \$921,464, up \$60,954 from 2014, and accounting for 26% of the total tax revenue. Utility taxes come from a charge that is added to the revenue generated by a utility customer that resides within the city limits. A 6% charge is added to customers that use natural gas, electricity, telephone, and cell phone, and an 8% charge is added to the customers that receive water, while 10% is added to customers that receive sewer services. Utility taxes increased \$183,000 when compared to 2014, mainly as a result of residential development and a reclassification of the sewer franchise fee from governmental charges to utility taxes in 2015. The City had 191 new residences in 2015. Total utility taxes account for 25% of the total tax revenue. Real Estate Excise taxes increased \$157,437 and ended the year at approximately \$637,000 accounting for 18% of the total tax revenue.

Total governmental expenditures equate to \$6.0 million with 73% of this amount associated with three programs: general government, public safety, and transportation, each representing 26%, 25%, and 22% respectively of the total governmental activities expenditures. The governmental activities expenditures increased 22% or \$1.1 million. Ninety nine percent of this increase took place in the economic environment, public safety and transportation expenditure categories. The increase in economic environment expenditures occurred as a result of increased development activity, permitting requests and the development of the 2016 growth management plan update. The transportation increase resulted from development of the City's transportation system plan and increased labor and maintenance. The public safety increase resulted from the addition of a new police sergeant position and labor increases as a result of a negotiated labor contract with the Ridgefield Police Officers Association.

**Business-Type Activities Analysis**

Capital contributions increased 18 percent, or \$225,000, when compared to 2015, up from \$1.3 million. This \$1.5 million consists of \$693,000 received in system development charge revenue, and \$817,000 recorded in capital contributions. Capital contributions come from private developers and are recorded either when an asset is completed and accepted by the City or when a developer uses a system development charge credit. Credits are issued to developers as "payment" for assets they construct that benefit the City above and beyond their development and are assets identified in the City's capital facility plan. Once the asset is constructed and contributed to the City, the total amount of credit is determined and issued to the developer. Credits are used in place of payment of the system development charge that would've been charged when a building permit is issued. Developer contributed assets comprise water and storm water infrastructure, such as water pipelines and storm water drainage facilities.

Charges for services increased by just under \$339,000. This increase occurred for three reasons: increased residential customers providing a 22% increase in Water revenues, an 11% increase in Storm Water drainage revenues and a change in the revenues of the Sewer Utility, providing a 7% increase over 2014. The Sewer Utility revenue is no longer from rates from customers, but from contract management revenues for operating the Waste Water Treatment Plant.

**Summary of Total Government Activities**

Overall, the City's financial position declined from 2014 to 2015 with net position decreasing by almost \$3.8 million or 6%. This was caused by a onetime transfer of operations of the sewer treatment system to the Alliance, presented as the \$3.8 million special item. About \$5.1 million in capital assets, \$1.4 million



**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
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in liabilities and \$1.2 million in cash was transferred to the Alliance. Further, the City recognized a change in accounting principles related to the Net Pension Liability of \$1.3 million and prior period adjustments of \$2.1 million from recognizing prior years impact fee credits. Before all these non-operating items, the City presented a total excess of \$4.2 million.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds Analysis**

The City uses fund accounting to ensure compliance with legal requirements and to assist in the budgeting and operations of the different activities of the City. The governmental funds are categorized into three fund types, general fund, special revenue fund, and capital projects fund. Each fund type has its unique purpose. Four of these funds are classified as major funds for the purposes of this report, based on criteria set forth by the Government Accounting Standards Board. Those funds are the General Fund, used for traditional government purposes; the Real Estate Excise Tax, a special revenue fund used to record the receipt of real estate excise taxes and approved capital related expenses; Park Impact Fee Fund, used to record the receipt of park impact fees received as part of a permit issued for a new development; and the Capital Projects Fund, a fund used to record the acquisition and construction activities associated with governmental fund type assets. Other governmental funds classified as non-major funds and reported under Other Governmental Funds, are the Traffic Impact Fee Fund, also used to record the receipt of traffic impact fees received as part of a permit issued for new development; and the Street Fund, used to record the receipt and payment of funds used to pay for the maintenance of streets that reside within the city limits.

When reviewed on a separate fund basis, the General Fund's fund balance decreased 1.5% as a result of 2015 operations. The General Fund beginning of the year fund balance was \$2.4 million and 2015 ended at \$2.3 million. The four largest sources of revenue came from property taxes, utility taxes, sales and use tax, and charges for services with each comprising 20%, 18%, 24% and 18%, respectively, of the total revenue. Charges for services increased by 29% when compared to 2014, due to growth in commercial and residential development in the City as well as allocated costs charged to the City's utility funds. The two largest expenditure categories continue to be general government and public safety with each representing 33% and 29%, respectively, of total expenditures. General Fund expenditures increased 14% while the revenues increased 13%.

The Real Estate Excise Tax Fund posted \$683,000 in total revenues, and transferred nearly \$182,000 out to other funds. This fund is accumulating resources for future capital projects. The Real Estate Excise Tax Fund shows a \$3.2 million fund balance at the close of 2015, an 18% increase compared to the \$2.7 million fund balance at the close of 2014.

The Park Impact Fee Fund posted \$487,000 in total revenues, \$752,000 in sale of capital assets, and transferred nearly \$621,000 out to other funds. This fund is accumulating resources for future culture and recreation capital projects. This fund shows a \$2.0 million fund balance at the close of 2015, a 43% increase compared to the \$1.4 million fund balance at the close of 2014.

The Capital Projects Fund posted \$173,000 in total revenues, \$791,000 in total expenses, and \$773,000 in transfers from other funds. Revenues from grants decreased significantly from 2014, from \$1.3 million to \$173,000. This occurred as projects funded by grant revenues wound down in 2015. The Capital Projects fund shows a fund balance of \$103,000.

The Net Change in Total Governmental Funds fund balance increased overall by \$1.3 million with the General Fund decreasing slightly, the Non Major Governmental Funds increasing by over \$83,000, and the other major funds increasing by almost \$1.3 million. The General Fund took a slight dip as it spent more than it took in during 2015, though the other major funds continue to accumulate reserves for planned capital improvements. Total fund balance ended at over \$8.5 million, and out of this amount, \$7.1 million is restricted for capital projects or to make major capital purchases and building inspection related activities, \$431,000 is assigned for specific purposes, such as to use for equipment repair, vehicle replacement, and \$1 million is not restricted and can be used to fund the ongoing operations of the City.

**CITY OF RIDGEFIELD**  
**Management's Discussion and Analysis**  
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**Business-Type Fund Analysis**

Proprietary funds are those funds that account for government operations where the intent is for costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and internal service funds provide their services primarily within the City, or to other governmental units. The City has three Business-Type enterprise funds - Water, Sewer, and Storm Water Drainage.

These funds had total net position of \$20.3 million. These funds had combined operating income of \$145,000, an improvement from 2014 when the loss was recorded at \$297,000. Further, when reviewed on a separate fund basis, the operating income by fund equates to \$52,826, and \$116,999, respectively, for the Water and Sewer funds. However, the Storm Water fund recorded an operating loss in 2015 of \$25,007. The storm water rate has routinely increased each year by \$.50 per month per equivalent dwelling unit, but repairs and maintenance have increased resulting in the deficit.

**Government-Wide Analysis**

Total government-wide net position decreased by \$3.8 million, changing from \$61.8 to \$58.0 million. The main reasons for the decrease come from a decrease in capital assets (net) of \$2.8 million due to transfer of assets to the Alliance, and an increase in liabilities of \$1.9 million with the assumption of the developer credits from prior years.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City appropriates funds through an annual budget process. Budget amendments are made throughout the year as needed and approved by ordinance action by the city council. State law allows funds to be expended if authorized by an ordinance amending the original budget. The General Fund budget reflects an increase of more than \$123,000 or a 3% change from the 2015 original budget. The General Fund actual revenues closed the year at 111% of the final 2015 amended budget. Expenditures ended at 98% of the final 2015 amended budget. The final 2015 budget increase of nearly \$123,000 in the General Fund was for capital outlay.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Ridgefield's investment in capital assets, including construction in progress, for its governmental and business-type activities amounts to \$49,939,425 (net of accumulated depreciation). This investment in capital assets includes land, buildings, streets, wells, water and storm sewer pipelines, storm water facilities, system improvements, machinery and equipment, park facilities, and construction in progress. The total government-wide capital assets decreased in 2015 by a net of \$3.4 million. The amount is comprised mostly of transferring sewer treatment assets in the amount of \$5.1 million offset with capital additions.

Infrastructure, such as water distribution lines, roads, new parks and trails that are constructed by developers become the assets of the city once the city's engineering department approves the development as complete. Other assets added pertain to City constructed and/or purchased assets that include the Reiman Road Guard Rail project, funding the N. 4<sup>th</sup> Place Improvement project, 35<sup>th</sup> Avenue and Pioneer Roundabout Improvements, Alley Water and Storm Water Drainage Improvement project, Junction Reservoir and Well project, Cemetery Booster Station, and the Oak Road water main project.

**CITY OF RIDGEFIELD**  
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	Governmental Activities		Business Activities		Government Wide	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Land	\$ 5,358	\$ 5,124	\$ 374	\$ 961	\$ 5,732	\$ 6,085
Construction in Progress	214	56	1,385	768	1,599	824
Intangibles	208	209	219	367	427	576
Buildings	1,298	968	34	2,836	1,332	3,804
Equipment	618	521	321	396	939	917
Infrastructure	26,083	26,003	13,827	15,110	39,910	41,113
	<u>33,779</u>	<u>\$ 32,881</u>	<u>\$ 16,160</u>	<u>\$ 20,438</u>	<u>\$ 49,939</u>	<u>\$ 53,319</u>

Additional information on the City of Ridgefield's capital assets can be found in Note 6 (Capital Assets) of the notes to the financial statement of this report.

**Long-Term Debt**

The City had total long-term debt outstanding of \$3,349,188. Out of this amount, \$1,245,075 pertains to general government and \$2,104,113 pertains to the business-type activities. Further, \$1,567,797 is associated with general obligation bonds payable, \$129,993 with intergovernmental loans, \$228,893 is the estimated amount of liability for compensated absences. Net Pension Liability of \$1,414,896 is also presented. Additionally, a pollution remediation obligation of \$7,610 is outstanding.

After restating the beginning long term debt by adding \$1,414,896 of Net Pension Liability, the City's total debt decreased by over \$1.1 million from 2014 to 2015. This is a net amount and associated with paying off existing debt owed on bonds payable and public works loans by \$166,584, and transferring \$1,431,244 in public works trust fund debt to the Alliance.

Additional information on the City's long-term debt can be found in Note 9 (Long-term Debt) of the notes to the financial statement in this report.

**Economic Outlook and Future Conditions**

During 2015, the City continued to experience an upward trend in the economy with the issuance of 228 new building permits, an increase of 124 permits from 2014. Following is a summary:

- Total of 228 new residential home permits were issued in 2015, an increase of 124 permits issued compared to 2014.
- No commercial permits were issued in 2015; down from two permits issued in 2015. The City Planning Department did receive several commercial plans to review and expect to issue those permits in 2016.
- The property tax base has been increasing since 2012 as the economy continues to recover from the economic recession. The property tax base increased in 2015 for tax year 2016 to \$890,239,033, up from \$799,996,361 recorded in 2015 and \$655,058,366 recorded in 2014.

The City continues to ensure the ability to meet the demand for water, sewer, storm water drainage, and general government infrastructure, such as buildings, roads, parks, and trails, by identifying and completing needed capital projects, and strategizing how to best meet the demand in the future. Capital projects planned for 2016 to mitigate growth and demand for services are as follows:

- Complete design and a master plan for the Ridgefield Outdoor Recreation Complex.
- Complete construction of a new well and treatment system at the I-5 junction.
- Complete construction of a new 1.0 million gallon welded steel water reservoir at the I-5 junction.
- Complete design and begin construction for a roundabout on Pioneer St at 35<sup>th</sup> Avenue.
- Complete roadway and storm water drainage improvements to North 4<sup>th</sup> Place
- Complete design and construction of a new trail segment for the Gee Creek Trail from Abrams Park to Heron Drive.
- Complete design of a new trail segment along Smythe Road from Reiman to 32<sup>nd</sup> Avenue.
- Complete construction of a temporary off leash area at the neighborhood park 6 off Hillhurst.
- Complete construction of a new restroom facility at Abrams Park.

**CITY OF RIDGEFIELD**  
***Management's Discussion and Analysis***  
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- Complete construction of the cemetery booster station to transfer water from the downtown area to the rest of the city.
- Complete a hydrogeologist study to investigate and identify additional water rights in the city.
- Complete construction of storm water upgrades to Sargent Street and Division Street.
- Complete construction of the Reiman Road guardrail project.

**Partnership Agreements for Sewer Treatment Services**

- The City has entered into a partnership with Clark Regional Wastewater District, Clark County and The City of Battle Ground to form a consortium. This partnership was formed under the Joint Municipal Utility Service Authority Act and called the Discovery Clean Water Alliance (Alliance). The purpose of this entity is to provide regional wastewater transmission and treatment for the entity's members. Assets and the related debt have been transferred effective January 1, 2015. The City of Ridgefield continues to operate the Ridgefield Waste Water Treatment Plant under an operator agreement with the Alliance.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Ridgefield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Department, City of Ridgefield, PO Box 608, 230 Pioneer Street, Ridgefield, WA 98642.

**CITY OF RIDGFIELD, WASHINGTON**  
Statement of Net Position  
December 31, 2015

	Governmental Activities	Business-type Activities	Total Primary Government
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 914,766	\$ 745,772	\$ 1,660,538
Investments	621,658	721,213	1,342,871
Receivables (Net of Allowance for Uncollectible)	504,431	1,448,358	1,952,789
Inventories	-	2,860	2,860
Prepaid Items	3,489	-	3,489
Investment in Joint Venture	376,871	-	376,871
<b>Restricted Assets</b>			
Cash	4,438,785	1,507,091	5,945,876
Investments	2,653,010	2,243,766	4,896,776
Receivables (Net)	7,777	5,841	13,618
<b>Capital Assets Not Being Depreciated:</b>			
Land	5,357,848	373,887	5,731,735
Intangibles	208,286	171,796	380,082
Construction Work in Progress	214,430	1,385,246	1,599,676
<b>Capital Assets Net of Accumulated Depreciation:</b>			
Buildings	1,297,772	34,231	1,332,003
Machinery and Equipment	618,309	320,544	938,853
Intangibles	-	47,286	47,286
Infrastructure	26,082,920	13,826,870	39,909,790
<b>Net Pension Asset</b>	165,537	-	165,537
<b>Total Assets</b>	<u>43,465,889</u>	<u>22,834,761</u>	<u>66,300,650</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount related to pensions	228,686	82,942	311,628
Deferred amount on refunding	-	9,314	9,314
<b>Total deferred outflows of resources</b>	<u>228,686</u>	<u>92,256</u>	<u>320,942</u>
<b>Liabilities:</b>			
Accounts Payable and Other Current Liabilities	482,722	346,699	829,421
Accrued Interest Payable	-	7,337	7,337
Unearned Revenues	4,005,790	64,214	4,070,004
Custodial Accounts	2,150	-	2,150
<b>Noncurrent Liabilities:</b>			
Contracts Payable to Related Parties	-	87,549	87,549
Net Pension Liabilities	983,519	431,377	1,414,896
Due within One Year	16,192	181,631	197,823
Due in More than One Year	245,364	1,491,105	1,736,469
<b>Total Liabilities</b>	<u>5,735,737</u>	<u>2,609,912</u>	<u>8,345,649</u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	210,563	66,514	277,077
<b>Total deferred inflows of resources</b>	<u>210,563</u>	<u>66,514</u>	<u>277,077</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	33,779,565	15,819,184	49,598,749
<b>Restricted for:</b>			
Operating	993,094	-	993,094
Capital	6,112,313	3,755,157	9,867,470
Unrestricted	(3,136,697)	676,250	(2,460,447)
<b>Total Net Position</b>	<u>\$ 37,748,275</u>	<u>\$ 20,250,591</u>	<u>\$ 57,998,866</u>

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD, WASHINGTON**  
Statement of Activities  
Year Ended December 31, 2015

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities:</b>							
General Government	\$ 1,545,129	\$ 455,318	\$ -	\$ -	(1,089,811)	\$ -	(1,089,811)
Judicial	118,631	72,540	-	-	(46,091)	-	(46,091)
Public Safety	1,458,384	167,333	3,968	-	(1,287,083)	-	(1,287,083)
Physical Environment	24,235	1,830	-	-	(22,405)	-	(22,405)
Transportation	1,338,002	156,947	1,400	982,576	(197,079)	-	(197,079)
Economic Environment	1,037,751	1,589,070	125,547	-	676,866	-	676,866
Culture and Recreation	422,713	-	500	58,993	(363,220)	-	(363,220)
TOTAL GOVERNMENTAL ACTIVITIES	5,944,845	2,443,038	131,415	1,041,569	(2,328,823)	-	(2,328,823)
<b>Business Type Activities:</b>							
Water	1,296,406	1,292,946	-	1,146,875	-	1,143,415	1,143,415
Sewer	958,464	868,735	-	-	-	(89,729)	(89,729)
Storm	400,935	375,928	-	363,639	-	338,632	338,632
TOTAL BUSINESS-TYPE ACTIVITIES	2,655,805	2,537,609	-	1,510,514	-	1,392,318	1,392,318
Total Primary Government	\$ 8,600,650	\$ 4,980,647	\$ 131,415	\$ 2,552,083	\$ (2,328,823)	\$ 1,392,318	\$ (936,505)
<b>General Revenues:</b>							
Property Taxes Levied for General Purposes				\$ 921,464	\$ -	\$ 921,464	
Sales and Use Taxes				1,133,691	-	1,133,691	
Business and Occupation Taxes				898,058	-	898,058	
Excise and Other Taxes				641,710	-	641,710	
Unrestricted Investment Earnings				54,873	93,418	148,291	
Gain (Loss) on Disposal of Capital Assets				182,662	-	182,662	
Grants and Contributions not Restricted to Specific Programs				284,328	-	284,328	
Special Item - Disposal of Operation				-	(3,822,311)	(3,822,311)	
Transfers				515,386	(515,386)	-	
Total General Revenues, special items and transfers				4,632,172	(4,244,279)	387,893	
Change in Net Position				2,303,349	(2,851,961)	(548,612)	
Net Position - Beginning				38,389,557	23,423,261	61,812,818	
Change in Accounting Principles				(838,286)	(413,732)	(1,252,018)	
Prior Period Adjustments				(2,106,345)	93,023	(2,013,322)	
Net Position - Ending	\$			37,748,275	\$ 20,250,591	\$ 57,998,866	

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**  
Governmental Funds  
Balance Sheet  
December 31, 2015

	General Fund	Real Estate Excise Tax Fund	Park Impact Fee	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and Cash Equivalents	\$ 1,757,237	\$ 1,884,045	\$ 1,337,900	\$ 135,564	\$ 238,805	\$ 5,353,551
Investments	621,658	1,334,694	701,356	-	616,960	3,274,668
Property Taxes Receivables	41,511	-	-	-	-	41,511
Accounts Receivable (net)	165,888	-	-	-	8,059	173,947
Intergovernmental Receivable	255,454	-	-	10,000	21,697	287,151
Interest Receivable	1,822	3,913	2,056	-	1,808	9,599
Prepaid Items	-	-	-	-	3,489	3,489
Total Assets	<u>\$ 2,843,570</u>	<u>\$ 3,222,652</u>	<u>\$ 2,041,312</u>	<u>\$ 145,564</u>	<u>\$ 890,818</u>	<u>\$ 9,165,613</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts Payable	412,324	-	-	42,988	27,410	482,722
Custodial Deposits	2,150	-	-	-	-	2,150
Total Liabilities	<u>414,474</u>	<u>-</u>	<u>-</u>	<u>42,988</u>	<u>27,410</u>	<u>484,872</u>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue	101,976	-	-	-	-	101,976
Total Deferred Inflows of resources:	<u>101,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,976</u>
<b>Fund Balances:</b>						
Restricted	978,035	3,222,652	2,041,312	-	863,408	7,105,407
Assigned	328,809	-	-	102,576	-	431,385
Unassigned	1,020,276	-	-	-	-	1,020,276
Total Fund Balances	<u>2,327,120</u>	<u>3,222,652</u>	<u>2,041,312</u>	<u>102,576</u>	<u>863,408</u>	<u>8,557,068</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,843,570</u>	<u>\$ 3,222,652</u>	<u>\$ 2,041,312</u>	<u>\$ 145,564</u>	<u>\$ 890,818</u>	

Amounts reported for governmental activities in the statement of net position are different because (See Note 2 also):

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$ 33,779,565
Investment in Joint Venture	376,871
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds	101,976
Other items related to Pension activity that are not financial resources therefore, not reported in the funds.	(799,859)
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(4,267,346)
Net position of governmental activities	<u>\$ 37,748,275</u>

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended December 31, 2015

	General Fund	Real Estate Excise Tax	Park Impact Fee	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 931,293	\$ -	\$ -	\$ -	\$ -	\$ 931,293
Sales and Use Taxes	1,133,691	-	-	-	-	1,133,691
Utility Taxes	854,999	-	-	-	-	854,999
Excise Taxes	4,813	636,898	-	-	-	641,711
Other Taxes	-	-	-	-	43,058	43,058
License and Permits	566,594	-	-	-	4,777	571,371
Intergovernmental	272,466	-	-	173,424	129,095	574,985
Charges for Services	859,612	-	475,759	-	94,308	1,429,679
Fines and Forfeits	76,077	-	-	-	1,027	77,104
Interest Earnings	11,154	22,052	11,677	18	9,972	54,873
Contributions/Donations	9,765	-	-	-	-	9,765
Miscellaneous	43,698	23,550	-	-	7,540	74,788
Total Revenues	4,764,162	682,500	487,436	173,442	289,777	6,397,317
<b>Expenditures:</b>						
Current						
General Government	1,505,580	-	-	-	-	1,505,580
Judicial	116,151	-	-	-	2,480	118,631
Public Safety	1,316,655	-	-	-	-	1,316,655
Physical Environment	21,773	-	-	-	-	21,773
Transportation	-	-	-	-	459,800	459,800
Economic Environment	1,029,226	-	-	-	-	1,029,226
Culture and Recreation	342,501	-	-	-	-	342,501
Capital Outlay	172,392	-	-	790,907	35,194	998,493
Total Expenditures	4,504,278	-	-	790,907	497,474	5,792,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	259,884	682,500	487,436	(617,465)	(207,697)	604,658
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	8,580	-	752,134	-	-	760,714
Transfers In	-	-	-	772,353	326,000	1,098,353
Transfers Out	(326,000)	(181,550)	(620,778)	-	(44,756)	(1,173,084)
Total Other Financing Sources and Uses	(317,420)	(181,550)	131,356	772,353	281,244	685,983
Net Change in Fund Balances	(57,536)	500,950	618,792	154,888	73,547	1,290,641
Fund Balance at Beginning of Year	2,363,094	2,721,702	1,422,520	(52,312)	779,856	7,234,860
Prior Period Adjustment	21,562	-	-	-	10,005	31,567
Fund Balance at End of Year	\$ 2,327,120	\$ 3,222,652	\$ 2,041,312	\$ 102,576	\$ 863,408	\$ 8,557,068

The notes to the financial statements are an integral part of this statement



**CITY OF RIDGEFIELD**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities  
Year Ended December 31, 2015

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds:	\$ 1,290,641
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.	(71,517)
The net effect of various miscellaneous transactions involving capital assets ( i.e., sales, trade-ins, and donations) to increase net position.	970,131
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	21,361
Governmental funds do not report interest in a joint venture where the government's participation is intended to assist in the provision of services, as is the case with the County's investment in the Clark Regional Emergency Services Agency. However, the equity interest is reported in the Statement of Net Position.	161,715
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(92,029)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	23,047
Changes in Net Position (governmental activities)	<u>\$ 2,303,349</u>

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Fiscal Year Ended December 31, 2015

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 915,000	\$ 915,000	\$ 931,293	\$ 16,293
Sales and Use Taxes	1,015,259	1,015,259	1,133,691	118,432
Utility and Other Taxes	710,735	710,735	859,812	149,077
License and Permits	414,475	414,475	566,594	152,119
Intergovernmental	327,652	327,652	272,466	(55,186)
Charges for Services	770,226	770,226	859,612	89,386
Fines and Forfeits	90,500	90,500	76,077	(14,423)
Other Miscellaneous	41,650	41,650	64,617	22,967
Total Revenues	<u>4,285,497</u>	<u>4,285,497</u>	<u>4,764,162</u>	<u>478,665</u>
<b>Expenditures:</b>				
Current				
General Government	1,552,742	1,543,743	1,505,580	38,163
Judicial	125,000	120,500	116,151	4,349
Security/Persons and Property	1,307,667	1,292,336	1,316,655	(24,319)
Physical Environment	55,931	55,931	21,773	34,158
Economic Environment	1,022,387	1,050,738	1,029,226	21,512
Culture and Recreation	315,224	315,224	342,501	(27,277)
Capital Outlay	75,600	199,402	172,392	27,010
Total Expenditures	<u>4,454,551</u>	<u>4,577,874</u>	<u>4,504,278</u>	<u>73,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(169,054)	(292,377)	259,884	552,261
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	-	-	8,580	8,580
Transfers Out	(317,000)	(326,000)	(326,000)	-
Total Other Financing Sources and Uses	<u>(317,000)</u>	<u>(326,000)</u>	<u>(317,420)</u>	<u>8,580</u>
Net Change in Fund Balance	(486,054)	(618,377)	(57,536)	560,841
Fund Balances at Beginning of Year	2,363,094	2,363,094	2,363,094	-
Prior year adjustments	-	-	21,562	21,562
Fund Balances at End of Year	<u>\$ 1,877,040</u>	<u>\$ 1,744,717</u>	<u>\$ 2,327,120</u>	<u>\$ 582,403</u>

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**  
Real Estate Excise Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Fiscal Year Ended December 31, 2015

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 400,000	\$ 554,000	\$ 636,898	\$ 82,898
Investment Interest	10,500	10,500	22,052	11,552
Miscellaneous	25,000	25,000	23,550	(1,450)
Total Revenues	435,500	589,500	682,500	93,000
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	435,500	589,500	682,500	93,000
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(321,000)	(476,200)	(181,550)	294,650
Total Other Financing Sources and Uses	(321,000)	(476,200)	(181,550)	294,650
Net Change in Fund Balance	114,500	113,300	500,950	387,650
Fund Balances at Beginning of Year	2,721,702	2,721,702	2,721,702	-
	\$ 2,836,202	\$ 2,835,002	\$ 3,222,652	\$ 387,650

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**  
Park Impact Fee Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Fiscal Year Ended December 31, 2015

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$ 359,840	\$ 459,302	\$ 475,759	\$ 16,457
Investment Interest	6,000	6,000	11,677	5,677
Total Revenues	365,840	465,302	487,436	22,134
<b>Expenditures:</b>				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	365,840	465,302	487,436	22,134
<b>Other Financing Sources (Uses):</b>				
Sale of Fixed Assets	0	750,000	752,134	2,134
Transfers Out	(190,000)	(800,000)	(620,778)	179,222
Total Other Financing Sources and Uses	(190,000)	(50,000)	131,356	181,356
Net Change in Fund Balance	175,840	415,302	618,792	203,490
Fund Balances at Beginning of Year	1,422,520	1,422,520	1,422,520	-
Fund Balances at End of Year	\$ 1,598,360	\$ 1,837,822	\$ 2,041,312	\$ 203,490

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**  
Proprietary Funds  
Statement of Fund Net Position  
December 31, 2015

	Major Fund			Total
	Water	Sewer	Stormwater	
<b>Assets:</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 239,945	\$ 212,469	\$ 293,358	\$ 745,772
Investments	555,680	-	165,533	721,213
Receivables (net)				
Interest	1,629	-	485	2,114
Accounts	138,629	-	62,615	201,244
Contracts - Related Party	-	100,000	-	100,000
Inventory	2,860	-	-	2,860
<i>Restricted Assets</i>				
Cash and Cash Equivalents	1,507,091	-	-	1,507,091
Investments	2,243,766	-	-	2,243,766
Interest Receivable	5,841	-	-	5,841
Total Current Assets	<u>4,695,441</u>	<u>312,469</u>	<u>521,991</u>	<u>5,529,901</u>
<i>Noncurrent Assets:</i>				
Contracts Receivable - Related Party	-	1,145,000	-	1,145,000
Nondepreciable assets	1,486,934	-	443,995	1,930,929
Depreciable Property, Plant and Equipment (Net)	9,320,264	-	4,908,667	14,228,931
Total Long-term Assets	<u>10,807,198</u>	<u>1,145,000</u>	<u>5,352,662</u>	<u>17,304,860</u>
Total Assets	<u>15,502,639</u>	<u>1,457,469</u>	<u>5,874,653</u>	<u>22,834,761</u>
<b>Deferred Outflows of Resources:</b>				
Deferred amount on refunding	9,314	-	-	9,314
Deferred amounts related to pensions	42,043	22,758	18,141	82,942
Total Deferred Outflows of Resources	<u>51,357</u>	<u>22,758</u>	<u>18,141</u>	<u>92,256</u>
<b>Liabilities:</b>				
<i>Current Liabilities:</i>				
Accounts Payable	251,489	72,402	22,808	346,699
Accrued Interest Payable	1,148	4,648	-	5,796
Accrued Employee Benefits	6,426	2,944	677	10,047
Accounts Payable from Restricted Assets	1,541	-	-	1,541
Unearned Revenues	10,511	52,518	1,185	64,214
Bonds, Notes and Loans Payable	70,507	101,077	-	171,584
Total Current Liabilities	<u>341,622</u>	<u>233,589</u>	<u>24,670</u>	<u>599,881</u>
<i>Noncurrent Liabilities:</i>				
Contracts Payable - Related Party	-	87,549	-	87,549
Accrued Employee Benefits	36,411	16,683	3,835	56,929
Bonds, Notes and Loan Payable (Net)	279,483	1,154,693	-	1,434,176
Net Pension Liability	218,665	118,362	94,350	431,377
Total Long-term Liabilities	<u>534,559</u>	<u>1,377,287</u>	<u>98,185</u>	<u>2,010,031</u>
Total Liabilities	<u>876,181</u>	<u>1,610,876</u>	<u>122,855</u>	<u>2,609,912</u>
<i>Deferred Inflows of Resources</i>				
Amounts related to pensions	33,716	18,250	14,548	66,514
Total Deferred Inflows of Resources	<u>33,716</u>	<u>18,250</u>	<u>14,548</u>	<u>66,514</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	10,466,522	-	5,352,662	15,819,184
Restricted for Capital Projects	3,755,157	-	-	3,755,157
Unrestricted	422,420	(148,899)	402,729	676,250
Total Net Position	<u>\$ 14,644,099</u>	<u>\$ (148,899)</u>	<u>\$ 5,755,391</u>	<u>\$ 20,250,591</u>

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Fiscal Year Ended December 31, 2015

	Major Fund			
	Water	Sewer	Storm	Total
<b>Operating Revenues</b>				
Charge for Services	\$ 1,292,763	\$ 868,735	\$ 375,878	\$ 2,537,376
Miscellaneous	183	-	50	233
Total Operating Revenues	<u>1,292,946</u>	<u>868,735</u>	<u>375,928</u>	<u>2,537,609</u>
<b>Operating Expenses</b>				
Salaries, Wages and Benefits	376,486	241,657	154,357	772,500
Supplies	130,158	35,193	12,629	177,980
Professional Services	235,412	293,384	54,144	582,940
Utilities	82,248	30,265	8,960	121,473
Repairs and Maintenance	126,152	151,237	62,475	339,864
Taxes	69,559	-	5,437	74,996
Miscellaneous	422	-	-	422
Depreciation, Amortization, Depletion	219,683	-	102,933	322,616
Total Operating Expenses	<u>1,240,120</u>	<u>751,736</u>	<u>400,935</u>	<u>2,392,791</u>
Operating Income (loss)	52,826	116,999	(25,007)	144,818
<b>Nonoperating Revenues (Expenses)</b>				
Interest Earnings	30,516	60,109	2,793	93,418
Interest and Fiscal Charges	(56,286)	(58,400)	-	(114,686)
Gain (Loss) on Disposal of Assets	-	(148,328)	-	(148,328)
Equity in Income (Loss) of Joint Ventures	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(25,770)</u>	<u>(146,619)</u>	<u>2,793</u>	<u>(169,596)</u>
Income (Loss) before Contributions, Transfers and Special Items	27,056	(29,620)	(22,214)	(24,778)
Capital Contributions	1,146,875	-	363,639	1,510,514
Transfers In	14,085	-	99,965	114,050
Transfers Out	-	(629,436)	-	(629,436)
Special Item - Disposal of Operations	-	(3,822,311)	-	(3,822,311)
Increase (Decrease) in Net Position	<u>1,188,016</u>	<u>(4,481,367)</u>	<u>441,390</u>	<u>(2,851,961)</u>
Total Net Position at Beginning of Year	13,665,803	4,352,966	5,404,492	23,423,261
Prior period adjustments	-	93,023	-	93,023
Change in Accounting Principles	<u>(209,720)</u>	<u>(113,521)</u>	<u>(90,491)</u>	<u>(413,732)</u>
Total Net Position at End of Year	<u>\$ 14,644,099</u>	<u>\$ (148,899)</u>	<u>\$ 5,755,391</u>	<u>\$ 20,250,591</u>

The notes to the financial statements are an integral part of this statement

**CITY OF RIDGEFIELD**  
Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended December 31, 2015

	Major Fund			
	Water	Sewer	Storm	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 1,192,005	\$ 972,239	\$ 368,337	\$ 2,532,581
Payments to Suppliers	(263,202)	(748,369)	(136,330)	(1,147,901)
Payments to Employees	(377,941)	(237,113)	(158,943)	(773,997)
Cash Payments for Interfund Services Used and City Taxes	(267,628)	(114,530)	(5,437)	(387,595)
Cash Received From Other Operating Activities	183	-	50	233
Cash Used for Other Operating Activities	-	(1,197,991)	-	(1,197,991)
Net Cash Provided (Used) by Operating Activities	283,417	(1,325,764)	67,677	(974,670)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from contract receivables	-	95,000	-	95,000
Interest paid on debt	-	(59,814)	-	(59,814)
Payments on non-capital debt	-	(95,000)	-	(95,000)
Operating Transfers - In	-	-	74,730	74,730
Net Cash Provided (Used) by Noncapital Financing Activities	-	(59,814)	74,730	14,916
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Receipts for Future System Improvements	694,944	-	-	694,944
Acquisition and Construction of Capital Assets	(731,335)	-	(107,601)	(838,936)
Principal Paid on Debt	(70,000)	-	-	(70,000)
Interest Paid on Capital Debt	(16,749)	-	-	(16,749)
Net Cash Provided (Used) for Capital and Related Financing Activities	(123,140)	-	(107,601)	(230,741)
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	29,813	60,109	2,459	92,381
Purchase of Investment Securities	(1,117,351)	-	1,270	(1,116,081)
Proceeds from Sale and Maturities of Investment Securities	177,499	-	-	177,499
Net Cash Provided (Used) by Investing Activities	(910,039)	60,109	3,729	(846,201)
Net Increase (Decrease) in Cash and Cash Equivalents	(749,762)	(1,325,469)	38,535	(2,036,696)
Cash and Cash Equivalents at Beginning of Year	2,496,798	1,537,938	254,823	4,289,559
Cash and Cash Equivalents at End of Year	\$ 1,747,036	\$ 212,469	\$ 293,358	\$ 2,252,863
<b>Reconciliation to Net Position:</b>				
Cash and Cash Equivalents	239,945	212,469	293,358	745,772
Restricted Cash and Cash Equivalents	1,507,091	-	-	1,507,091
Total Cash and Cash Equivalents	\$ 1,747,036	\$ 212,469	\$ 293,358	\$ 2,252,863

The notes to the financial statements are an integral part of this statement

**Reconciliation of Operating Income (Loss) to Net Cash:**

## Cash Used by Operating Activities:

Net Operating Income (Loss)	\$	52,826	\$	116,999	\$	(25,007)	\$	144,818
Adjustments to Reconcile Net operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation Expense		219,683		-		102,933		322,616
(Increase) Decrease in Receivables		(18,088)		81,251		(7,208)		55,955
(Increase) Decrease in Inventories		3,941		-		-		3,941
Increase (Decrease) in Current Payables		26,510		(130,797)		1,878		(102,409)
Increase (Decrease) in Pension Activity		618		333		266		1,217
Increase (Decrease) in Accrued Employee Benefits		(2,073)		(248,077)		(4,852)		(255,002)
Increase (Decrease) in Unearned Revenues		-		52,518		(333)		52,185
Other Payment related to Non-Operating Activities		-		(1,197,991)		-		(1,197,991)
		<u>230,591</u>		<u>(1,442,763)</u>		<u>92,684</u>		<u>(1,119,488)</u>
Net Cash Used by Operating Activities	\$	<u>283,417</u>	\$	<u>(1,325,764)</u>	\$	<u>67,677</u>	\$	<u>(974,670)</u>

**Noncash Transactions**

Capital Assets Transferred to the Discovery Clean Water Alliance	-	(5,081,858)	-	(5,081,858)
Contract Receivable for Debt Related to Assets Transferred		1,340,000		1,340,000
Debt and Interest Transferred to Discovery Clean Water Alliance	-	1,457,483	-	1,457,483
Loan Fees Borrowed on Note Issuance	(37,963)			(37,963)
Donated From Other Funds	14,085	(629,436)	25,235	(590,116)
Donated Capital Assets	451,931	-	363,639	815,570

The notes to the financial statements are an integral part of this statement



## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Washington State Auditor's Office has developed and implemented the Budgeting, Accounting, and Reporting System (BARS) designed to promote uniformity among cities and counties in Washington. Following is a summary of the significant accounting policies for the City of Ridgefield:

### **A. REPORTING ENTITY**

The reporting entity "City of Ridgefield" consists of the City as the primary government; there are no component units. The City of Ridgefield, Washington, was incorporated in August 1909 and operates under the laws of the State of Washington applicable to an optional municipal code city (Title 35A RCW) with a council-manager form of government with a government body consisting of seven Council members with one selected to serve as the Mayor.

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are separate financial statements provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted or reported in another fund.

The *real estate excise tax fund* was established to account for taxes that are restricted for capital purposes. Resources are typically transferred to other funds as they are needed.

The *park impact fee fund* was established to account for impact fees that are restricted for culture and recreation capital purposes. Resources are typically transferred to other funds as they are needed.

The *capital projects fund* was established to construct governmental fund type capital projects. Construction of street projects has been the predominant use. Resources are transferred from other funds and combined with other restricted, committed, or assigned to be used for the acquisition or construction of capital facilities or other capital assets, such as grants to reimburse this fund for the costs of construction.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

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The government reports the following major proprietary funds:

The *water fund* accounts for the City's water utility operations. This fund comprises activity of the municipal water system that includes production, treatment, storage and distribution of domestic water. The system is comprised of four production wells, three storage reservoirs and over forty miles of water lines. The City's operations division provides management operations and maintenance of the City's water system to provide for the reliable delivery of safe, high quality water for all water users. This fund also incorporates the revenues received from system development charges and expenses incurred for capital project activities. System development charges are assessed on new development activities and expended to build or expand capacity that is required as a result of growth and development.

The *sewer fund* accounts for operating management activity of the sewer utility owned by the Discovery Clean Water Alliance. The sewer treatment plant and outfall was transferred to the Alliance on January 1, 2015. (See Note 16) The City has entered into an operator agreement to continue operating the treatment plant. As such, the fund provides operating management, and maintenance of the sewer treatment system, providing safe and clean disposal of sewage. Nearly all of its revenue are from charges billed to related parties to operate the treatment plant.

The *storm water fund* accounts for the City's storm water drainage utility operations. This fund provides management operations and maintenance of the City's storm water system and ensures the storm water facilities are mowed and cleared to allow for proper drainage. The City has twenty-four storm water systems that require maintenance and are located throughout the various subdivisions that have been built over the last several years. Revenue to fund the operations comes from charges for services generated from monthly storm water maintenance fees.

Additionally, the government reports the following fund types as non-major governmental funds:

*Special revenue funds* account for revenues from specific taxes, grants, or other sources, which are restricted or committed to finance particular activities of the City.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

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considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, storm water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Storm Water Funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal operating revenue of the Sewer Fund is Management Fee revenue received from operating the treatment plant owned by the Alliance. Operating expenses for these funds include the cost of managing the treatment plant and capital equipment and infrastructure purchased/constructed for the Alliance. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY**

**1. Cash and cash equivalents**

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested directly into government securities with interest accruing for the benefit of the investing funds. The interest earned on these investments is prorated to the various funds. This policy covers all funds operated by the City.

Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentality's, banker's acceptances, repurchase agreements, county investment pool and the state treasurer's investment pool. The City is also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2015.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The City as of December 31, 2015 had \$160,301 in the Washington State Local Government Investment Pool and \$2,042,610 in the Clark County Investment Pool, which are classified as cash equivalents; and \$5,063,797 held in U.S. Agency Securities and \$1,175,850 in local bonds, which are classified as investments. Additional cash & cash equivalents consist of \$5,403,503 held in interest bearing bank accounts, certificates of deposit, petty cash, and cash change drawers.

**2. Receivables**

All trades are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually before December 15, and become a lien as of January 1, on property value listed as of the prior May 31. Assessed values are established by the county assessor at 100 percent of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. The county treasurer remits collections to the appropriate district as taxes are received. Taxes receivable consists of property taxes and related interest and penalties. (See Note 5) Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

Customer accounts receivable consists of amounts owed from private developers, individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

Due from other governmental units represent amounts owed under grant programs or any other intergovernmental activity. Contracts receivable represent amounts due under contract provisions.

**Receivables**

	<b>Taxes</b>	<b>Accounts</b>	<b>Interest</b>	<b>Contracts</b>	<b>Due from Other Gov'ts</b>	<b>Total</b>
<b><u>Governmental Activities</u></b>						
General Fund	\$ 41,511	\$ 165,888	\$ 1,822	\$ -	\$ 255,454	\$ 464,675
Real Estate Excise Tax	-	-	3,913			3,913
Park Impact Fee	-	-	2,056	-	-	2,056
Capital Projects	-	-	-	-	10,000	10,000
Nonmajor Governmental	-	8,059	1,808	-	21,697	31,564
<b>Total Governmental</b>	<b>41,511</b>	<b>173,947</b>	<b>9,599</b>	<b>-</b>	<b>287,151</b>	<b>512,208</b>
<b><u>Business Type Activities</u></b>						
Water	\$ -	138,629	7,470	\$ -	\$ -	146,099
Sewer	-	-	-	1,245,000	-	1,245,000
Stormwater	-	62,615	485	-	-	63,100
<b>Total Business Type</b>	<b>-</b>	<b>201,244</b>	<b>7,955</b>	<b>1,245,000</b>	<b>-</b>	<b>1,454,199</b>
<b>Total Combined Receivables</b>	<b>\$ 41,511</b>	<b>\$ 375,191</b>	<b>\$ 17,554</b>	<b>\$ 1,245,000</b>	<b>\$ 287,151</b>	<b>\$ 1,966,407</b>

**3. Amounts due to and from other funds and governments, interfund loans and advances receivable**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**4. Inventories and prepaid items**

Inventories in governmental funds consist of expendable supplies held for consumption and are recorded as an expenditure when the items are purchased. Inventories in proprietary funds are valued on the First In/First Out or FIFO method, which approximates market value. Inventory consists of water meters that are mainly used for new homes built by developers.

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**5. Deferred inflows and outflows of resources**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but have not yet been earned. At the end of the current fiscal year, the various components of deferred inflow of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent Property Taxes Receivable - General Fund	\$ 36,955
Outstanding Court Receivable	65,021
Total Deferred Revenue for Governmental Funds	<u>\$ 101,976</u>

The proprietary funds and government wide statement of net position also present a deferred outflow of resources related to the deferred amount on refunded debt and deferred inflows and outflows related to pensions. (See Note 7)

**6. Restricted fund balance**

These resources are set aside for specific uses and/or are restricted by law for specific purposes. In the governmental and business-type activities the restricted amounts are held for debt service, the construction and/or acquisition of capital assets associated with the infrastructure systems, and for operating purposes. The restricted assets compose the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
<i>Restricted for:</i>		
Transportation Capital Projects	\$ 848,349	\$ -
Park Capital Projects	2,041,312	-
Capital Facility Plan Projects	3,222,652	-
Public Safety Drug Prevention	15,059	-
Building Permit Functions	978,035	
Water Capital Projects	-	3,755,157
Total Restricted Amounts	<u>\$ 7,105,407</u>	<u>\$ 3,755,157</u>

**7. Capital assets**

Capital assets, includes property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 with a life expectancy or more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Intangible assets are defined as easements, water rights, patents, trademarks and computer software. A retroactive implementation was not required, therefore the City either reallocated existing assets to the intangibles classification, if they met the criteria, or added intangibles assets acquired during the year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized.

Property, plant, equipment, and intangible assets with a definite useful life are depreciated using the straight line method over the following estimated useful lives:

<b>Asset Category</b>	<b>Years Useful Life</b>
Buildings	40
Streets	40
Lighting	40
Sidewalks	40
Trails	25
Structures	20-30
Infrastructure	20-50
Vehicles (Public Safety)	8
Vehicles (All Other)	10
Public Works Equipment	5-20
Office Equipment/Furniture	5-10
Software	5
Hardware (Servers etc.)	5

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable column in the statement of net position.

**8. Compensated absences**

Compensated absences are absences for which employees will be paid, such as vacation and comp-time. In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. In proprietary (and similar trust) funds, compensated absences are recorded as an expense and liability of the fund that will pay for them as they are earned.

Vacation pay is payable up to 240 hours (30 days) on the employee's anniversary date with the City and is payable upon resignation, retirement or death. Sick leave is earned at a rate of one day per month for full-time employees and is recorded when leave is taken; however, the liability for sick leave is limited because it is generally not paid out at separation. In the event of an employee's retirement from service with the City, sick leave is payable subject to limitations that range between 25% of accumulated sick leave up to 1,600 hours (or 400 hours maximum), 50% of sick leave accumulated up to 800 hours (or 400 hours maximum), and 50% of accumulated sick leave of the amount that exceeds 720 hours, depending upon the employees bargaining unit agreement and/or personnel policy.

**9. Other accrued liabilities**

This account consists of accrued wages and accrued employee benefits.

**10. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as period costs in the year of the bond issuance.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other

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financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. Net pension liabilities (assets)**

For purposes of measuring the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

**12. Net position**

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted* is the amount restricted by external creditors, grantors, contributors, or laws and regulations imposed by other governments. The capital component is associated with impact fees, system development charges and excise taxes where the funds received are restricted for capital purposes. The operating amount is associated with a special revenue fund and restricted for a specific operating purpose.

*Unrestricted* is the amount of all net position that does not meet the definition of "invested in capital assets" or "restricted" net position.

**13. Fund balances in the governmental fund financial statements**

On the balance sheet – governmental funds, assets in excess of liabilities are reported as fund balances and are segregated into separate classifications indicating the extent to which the city is bound to honor constraints on specific purposes for which the funds can be spent.

*Nonspendable* – amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, including the State and Federal government. The City has restricted amounts, shown on the Governmental Funds Balance Sheet, with the majority of it available for use to complete major capital projects identified in an appropriate City capital facilities plan.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority). Commitments may be established, modified, or rescinded through resolutions approved by the City Council.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes; and any excess of nonspendable, restricted, and committed fund balance over total fund balance in a governmental fund other than the general fund. Under the City's adopted policy, the City finance director or management staff may assign amounts for specific purposes. The City has assigned an amount, shown on the Governmental Funds Balance Sheet, and plans to use it for equipment repair and replacement, such as to replace a vehicle; and capital maintenance projects, such as to remodel a building or make a major repair of a building.

*Unassigned* – total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.



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The City adopted a resolution in October 2014 which sets apart fund balance reserve accounts for stabilization purposes in the General Fund. These are classified as unassigned per the City financial policies. No requirements or conditions for addition or spending these funds have been established by the City. The City's policy states that an unassigned fund balance for revenue stabilization will be designated at a minimum of 10% of prior year General Fund revenues less any one-time revenues such as grants or interfund transfers; at December 31, 2015 the balance is \$441,018. Council action is required in order for stabilization funds to be used. The policy also states that an operations and maintenance reserve will be designated at a minimum of 60 days of prior year actual operating expenses in the General and Street Fund; at December 31, 2015 the balance is \$715,132. The policy also states that a capital reserve will be set aside at 1% of the prior year net fixed assets; the balance at December 31, 2015 is \$328,809. Additionally, the policy requires a debt service reserve equal to the amount of the upcoming year's debt service payment. At December 31, 2015 this was \$48,300. This fund balance is identified as assigned.

City Council adopted reserve policies by resolution and therefore any changes to the policies would require a new resolution to be adopted. Use of the reserves require budget enactment or a budget amendment adopted by ordinance of the Council.

The City as of December 31, 2015 has a total fund balance in the governmental funds of \$8,557,068 and is classified as follows:

<u>Classification on Balance Sheet</u>	<u>Fund Balance</u>
Assigned (for equipment replacement and capital maintenance purposes)	\$ 328,809
Assigned (for capital projects)	102,576
Unassigned (can be used for any specific purpose)	1,020,276
Restricted for capital purposes	6,112,313
Building Permit Functions	978,035
Restricted for other purposes	15,059
Total Fund Balance - Governmental Funds	<u>\$ 8,557,068</u>

**14. Implementation of New Governmental Accounting Standards Board Pronouncements**

The City implemented GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. As a result of implementing this standard, the city recognized an adjustment to beginning net position of \$1,252,018, presented as a change in accounting principles in the Statement of Activities and \$413,732 in the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position.

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

The governmental fund balance sheet includes the reconciliation between *fund balance — total governmental funds* and *net position — governmental activities* as reported in the government-wide statement of net position.

One element of the reconciliation is "Other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds". The details of this difference are as follows:



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Unavailable Property Tax and Court Revenues	\$ <u>101,976</u>
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Net adjustment to increase fund balance - total governmental funds to arrive at net position – governmental activities.	<u><u>\$ 101,976</u></u>
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Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Compensated Absences	\$ 161,917
Pollution Remediation Obligation	7,610
Due to Other Governments	92,029
Impact Fee Credits	<u>4,005,790</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at <i>net position - governmental activities</i>	<u><u>\$ 4,267,346</u></u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The difference of this amount is as follows:

Capital Outlays and Constructed Assets	\$ 998,493
Depreciation expense	<u>(1,070,010)</u>
Net adjustment to increase <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (71,517)</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) to increase net position” is \$970,131, which represents donated capital assets of \$954,146, removal of book value of asset upon sale in the amount of \$(578,052) and assets transferred from the Sewer fund of \$594,037.

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this difference are as follows:

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Grant Revenues	\$ (174,626)
Impact Fee Credit Revenue	210,380
Municipal Court revenue	(4,564)
Tax revenues - unavailable	<u>(9,829)</u>
Net adjustment to increase <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 21,361</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Pollution Remediation Expense	\$ 100
Pension expense adjustment	(38,428)
Compensated absences	<u>15,281</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (23,047)</u>

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***BUDGETARY INFORMATION***

Scope of budget

Annual appropriated budgets are adopted for all governmental fund types and proprietary funds. The budgets constitute the legal authority for expenditures at the fund level. Annual appropriations for funds lapse at the end of the fiscal year. With the exception of the General Fund, there is no difference between the budgetary basis and generally accepted accounting principles. Under generally accepted accounting principles, the General Fund contains four other special revenue funds which do not have significant restricted revenue sources. From the budgetary prospective, each of these funds has its own legally adopted budget. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the governmental funds only. All governmental funds are budgeted on the modified accrual basis of accounting. Proprietary funds are budgeted on the full accrual basis for management control purposes only.

Adopting the budget

The City's budget procedures are mandated by RCW 35.33A. The steps in the budget process are as follows:

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1. Prior to September, the City Manager requests all department heads to submit their annual budget requests along with all applicable narratives.
2. Prior to October 1, the City Manager will review the department request with each department. The Finance Director compiles preliminary revenue estimates to determine available financing of the proposed requests.
3. By October 1, the preliminary budget proposal is complete and put into a preliminary budget document and published.
4. Prior to November 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following January 1. The operating and capital budgets include the proposed expenditures and revenue estimates.
5. The City Clerk publishes a notice of filing of the preliminary budget and schedules property tax levy and budget hearings during the months of October and November.
6. Following the public hearings and prior to December 31, the budget is legally adopted through passage of an ordinance.

Amending the budget

The City Manager or authorized designee is authorized to transfer budgeted amounts between departments and object classes 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 or other conditions of employment must be approved by the City Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriations for a particular fund, it may do so by passage of an ordinance that is approved by the majority and after holding public hearings.

Budget amounts shown in the basic financial statements include the original budget amounts and the final authorized amounts as revised during the year for the major governmental funds. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

**NOTE 4. DEPOSITS AND INVESTMENTS**

Upon implementation of GASB 40, the City's deposit and investment risk disclosures are reported as follows:

The City's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) and/or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2015, the City cash, cash equivalents, and investments as reported on the Statement of Net Position are as follows:

Cash on hand	\$ 5,403,503
State Treasurer's Investment Pool	160,301
Clark County Investment Pool	2,042,610
Local Bonds	1,175,850
US Government Agencies	5,063,797
Total cash and investments	<u>\$ 13,846,061</u>

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As of December 31, 2015, the City had the following investments:

Investment Type	12/31/2015	
	Fair Value	Weighted Average (Months)
Federal Farm Credit Bank	\$ 500,015	43.00
Local Government Issue Bonds	1,175,850	31.90
Fannie Mae	1,425,195	40.40
U.S Treasury	400,937	19.51
Federal Farm Home Loan Bank	2,737,650	21.66
	<u>\$ 6,239,647</u>	<u>29.44</u>

**Interest rate risk.** City Council approved through resolution a formal investment policy August 27, 2015. The policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The City's intent is to purchase investments that may be held until maturity.

**Credit risk.** Credit risk is the risk that an issuer or related party will not fulfill its obligations. The City has a formal investment policy that limits its investment and diversification by investment type and issuer beyond the limits imposed by State law. As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, investments in the State Treasurer's Investment Pool, investments in the Clark County Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. All investments are stated at fair value. The City invests in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Bank notes. The Federal Farm Credit Bank investments have the highest investment ratings available from both Standard & Poor's and Moody's Investors Service. Local Government Issue Bonds have ratings ranging from AA to A2. One of the Local Government Bond investment ratings is not available.

**Concentration of credit risk.** Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has an adopted policy limiting the amount the City may invest in any one issuer. The investments held at year-end are listed below along with their percentage of the government's total investment:

Investment Type	12/31/2015	
	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank	\$ 500,015	8%
Local Government Issue Bonds	1,175,850	19%
Fannie Mae	1,425,195	23%
U.S Treasury	400,937	6%
Federal Farm Home Loan Bank	2,737,650	44%
	<u>\$ 6,239,647</u>	<u>100%</u>

Money held in the State Treasurer's and Clark County Investment pools is liquid and short term and therefore is reported at value. The reported value of the pool is the same as the fair value of the pool shares. The pool is established under RCW 43.250.010-090 and is operated in accordance with appropriate state laws and regulations and is unrated.

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*Custodial credit risk (deposits).* Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The City has an adopted policy that addresses deposit custodial risk; however, the City's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the City's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

*Custodial credit risk (investments).* Custodial risk is the risk that, in the event of a failure of the counterparty, the government will not be able to recover its investments that are in the possession of an outside party. The City uses Piper Jaffrey and US Bank as the custodial agent for safekeeping of the City's investments. Piper Jaffrey and US Bank provide monthly reports on the City's securities, all of which are held in the City's name. The investments held by the City at year-end are all book-entry, registered securities.

Total cash and investments are stated at \$13,846,061. This includes cash held in a fiduciary capacity. There is additional cash held in city accounts due to "float" of outstanding checks, which have not cleared the bank as of December 31, 2015. The total cash and investments held by the City per the bank account, including the uncleared checks, total \$5,804,399. The City invests all temporarily idle funds.

#### **NOTE 5. PROPERTY TAXES**

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 Calendar*

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible.

The City may levy up to \$1.60 per \$1,000 of assessed valuation for general governmental services.

The City's regular levy for 2015 was \$1.1435 per \$1,000 on an assessed valuation of \$799,996,361 for a total regular levy of \$914,806.

Special levies approved by the voters are not subject to the limitations listed above. In 2015, there were no outstanding voter approved bonds, and therefore no additional levy.

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**NOTE 6. CAPITAL ASSETS**

A summary of capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 5,124,390	\$ 811,510	\$ 578,052	\$ 5,357,848
Intangibles	208,286	-	-	208,286
Construction in progress	56,192	185,089	26,851	214,430
Total capital assets, not being depreciated	<u>5,388,868</u>	<u>996,599</u>	<u>604,903</u>	<u>5,780,564</u>
Capital assets, being depreciated/depleted:				
Buildings and improvements	1,392,839	368,062	-	1,760,901
Equipment	1,175,097	202,681	209,374	1,168,404
Intangibles	43,313	-	29,840	13,473
Infrastructure	40,884,562	1,058,225	52,038	41,890,749
Total capital assets being depreciated	<u>43,495,811</u>	<u>1,628,968</u>	<u>291,252</u>	<u>44,833,527</u>
Less accumulated depreciation for:				
Buildings and improvements	424,851	38,278	-	463,129
Equipment	653,803	105,667	209,375	550,095
Intangibles	43,313	-	29,840	13,473
Infrastructure	14,881,764	926,065	-	15,807,829
Total accumulated depreciation	<u>16,003,731</u>	<u>1,070,010</u>	<u>239,215</u>	<u>16,834,526</u>
Total capital assets, being depreciated, net	<u>27,492,080</u>	<u>558,958</u>	<u>52,037</u>	<u>27,999,001</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 32,880,948</u>	<u>\$ 1,555,557</u>	<u>\$ 656,940</u>	<u>\$ 33,779,565</u>

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<b>Business type Assets</b>	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 961,487	\$ 24,525	\$ 612,125	\$ 373,887
Intangibles - Easements	171,796	-	-	171,796
Construction in progress	768,275	887,307	270,336	1,385,246
Total capital assets, not being depreciated	<u>1,901,558</u>	<u>911,832</u>	<u>882,461</u>	<u>1,930,929</u>
Capital assets, being depreciated/depleted:				
Buildings and improvements	4,521,601	3,532	4,407,514	117,619
Equipment	1,289,155	87,799	209,221	1,167,733
Intangibles	453,306	-	388,987	64,319
Infrastructure	18,335,675	960,969	2,775,237	16,521,407
Total capital assets being depreciated	<u>24,599,737</u>	<u>1,052,300</u>	<u>7,780,959</u>	<u>17,871,078</u>
Less accumulated depreciation for:				
Buildings and improvements	1,685,945	4,752	1,607,309	83,388
Equipment	893,670	91,939	138,420	847,189
Intangibles	241,352	7,605	231,924	17,033
Infrastructure	3,242,598	246,331	794,392	2,694,537
Total accumulated depreciation	<u>6,063,565</u>	<u>350,627</u>	<u>2,772,045</u>	<u>3,642,147</u>
Total capital assets, being depreciated, net	<u>18,536,172</u>	<u>701,673</u>	<u>5,008,914</u>	<u>14,228,931</u>
<b>Business type capital assets, net</b>	<u>\$ 20,437,730</u>	<u>\$ 1,613,505</u>	<u>\$ 5,891,375</u>	<u>\$ 16,159,860</u>

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Depreciation expense was charged to function/programs of the primary government as follows:

General Government	41,941
Security of persons and property	60,170
Transportation, including depreciation of general infrastructure	876,358
Physical environment	2,462
Economic environment	4,383
Culture and recreation	80,775
Total depreciation expense—governmental activities	<u>1,066,089</u>

**Business-type activities:**

Water	219,683
Storm	102,933
Total depreciation expense—business-type activities	<u>322,616</u>

The Sewer Fund transferred capital assets and related accumulated depreciation of \$26,762, \$1,249 and \$3,921 to the Water, Storm and General Government activities, respectively. These amounts show up in the additions section of the related capital asset tables, therefore, skewing the depreciation expense. Depreciation expense is shown in the tables above.

**Commitments**

The City had one construction project that was substantially complete as of December 31, 2015, however retainage remained outstanding. The City also had two ongoing projects that will be completed in 2016 that had retainage outstanding. This retainage amounted to \$45,220 and is associated with contracts for Realm, Inc. for the Waste Water Treatment Plant Alkalinity System project, Civil Works NW, Inc. for the Alley Utility Improvement project, and Clackamas Construction, Inc. for the Junction Well and 1.0 MG Reservoir projects. The City had two professional service agreements outstanding that will be completed in 2016. These agreements were with Gray & Osborne, Inc. to manage construction and complete inspections associated with the Junction Well & 1.0 MG Reservoir project. The City also has an agreement to complete a feasibility study and master plan for the Ridgefield Outdoor Recreation Complex.

	Commitment	Retainage Held and Not Yet Paid	Remaining Commitment
WWTP Alkalinity Project	\$ 256,409	\$ 11,299	\$ -
Alley Utility Improvements	278,870	12,995	8,052
Junction Well & 1.0 MG Reservoir Project	2,668,456	20,926	2,214,784
Junction Well & Reservoir Constr Management	365,506	-	248,304
Outdoor Rec Complex - Feasability Study	202,994	-	169,044
Total	<u>\$ 3,772,235</u>	<u>45,220</u>	<u>2,640,184</u>

**NOTE 7. PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:



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Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 1,414,896
Pension assets	165,537
Deferred outflows of resources	311,628
Deferred inflows of resources	277,077
Pension expense/expenditures	196,621

**State Sponsored Pension Plans**

Substantially all city full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

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<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

\* For employees participating in JBM, the contribution rate was 12.26%

The city actual contributions to the plan were \$0 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

\* For employees participating in JBM, the contribution rate was 15.30%

The city actual contributions to the plan were \$183,743 for the year ended December 31, 2015.

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**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The city actual contributions to the plan were \$24,661 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2. Intergovernmental contribution revenue recognized by the City at December 31, 2015 was \$15,609.

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**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected

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rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

**Sensitivity of NPL**

The table below presents the city proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the city proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 915,242	\$ 751,737	\$ 611,138
PERS 2/3	1,939,112	663,159	(313,790)
LEOFF 2	165,775	(165,537)	(414,863)

**Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the city reported a total pension liability and pension net asset of \$1,414,896 and \$165,537, respectively, for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	751,737
PERS 2/3	663,159
LEOFF 2	(165,537)

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the city. The amount recognized by the city as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the city were as follows:

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	<b>Liability (or Asset)</b>
LEOFF 2 – employer's proportionate share	(165,537)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(109,453)
<b>TOTAL</b>	<b>(274,990)</b>

At June 30, the city proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS 1	0.013762%	0.014371%	-0.000609%
PERS 2/3	0.015702%	0.018560%	-0.002858%
LEOFF 2	0.014435%	0.016106%	-0.001671%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2015, the city recognized pension expense as follows:

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	Pension Expense
PERS 1	80,447
PERS 2/3	107,421
LEOFF 2	8,753
TOTAL	196,621

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 41,128
Contributions subsequent to the measurement date	50,917	-
TOTAL	\$ 50,917	\$ 41,128

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,493	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	177,034
Changes of assumptions	1,068	-
Changes in proportion and differences between contributions and proportionate share of contributions	91,961	-
Contributions subsequent to the measurement date	66,151	-
TOTAL	\$ 229,673	\$ 177,034

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LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,496	\$
Net difference between projected and actual investment earnings on pension plan investments	-	50,157
Changes of assumptions	437	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	8,758
Contributions subsequent to the measurement date	16,105	-
<b>TOTAL</b>	<b>\$ 31,038</b>	<b>\$ 58,915</b>

Deferred outflows of resources related to pensions resulting from the city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 2
2016	\$ (15,940)	\$ (21,018)	\$ (18,420)
2017	\$ (15,940)	(21,018)	(18,420)
2018	\$ (15,940)	(21,018)	(18,420)
2019	\$ 6,692	49,542	9,852
2020	\$ -	-	1,187
Thereafter	\$ -	-	239

**NOTE 8. RISK MANAGEMENT**

The city is exposed to various risks of loss such as natural disasters, property damage, liability, employee dishonesty, errors and omissions, and personal injury. The City of Ridgefield is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.



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New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

## **NOTE 9. LONG-TERM DEBT**

### **LONG-TERM DEBT**

#### **Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The City had \$1,555,000 in general obligation bonds outstanding as of December 31, 2015. No new debt was issued in 2015. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council, and normally financed from general revenues (councilmanic bonds). General obligation bonds outstanding at December 31, 2015 are as follows:

Name of Issuance	Original Issue Amount	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2006 LTGO Bonds	2,020,000	Capital	7/10/2006	12/1/2025	4.0% - 4.5%	1,245,000
2006 LTGO Refinanced 1999 Bonds	705,000	Refinanced Capital	7/10/2006	12/1/2019	4.0% - 4.5%	310,000
<b>Total General Oblig Bonds</b>	<b>\$ 2,725,000</b>					<b>\$ 1,555,000</b>

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<b>Business-Type Activities</b>			
	Principal	Interest	Total Requirements
2016	\$ 170,000	\$ 69,550	\$ 239,550
2017	180,000	62,325	242,325
2018	190,000	54,225	244,225
2019	200,000	45,675	245,675
2020	120,000	36,675	156,675
2021-2025	695,000	96,975	791,975
	<u>\$ 1,555,000</u>	<u>\$ 365,425</u>	<u>\$ 1,920,425</u>

**Governmental Loans and Notes**

The City receives loans to finance capital projects in the business-type activity funds. Loans are also often acquired in the general government funds to finance street improvements and to purchase capital assets. The governmental activity loan outstanding at December 31, 2015 is for the purchase of police radios, which were not capitalized. Government loans and notes outstanding at year-end are as follows:

Name of Issuance	Original Issue Amounts	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
<b>Governmental Activities</b>						
CRESA	\$ 92,030	Police Radios	5/18/2015	3/1/2021	2.38%	92,030
<i>Total Government Loans and Notes</i>						<u>\$ 92,030</u>

**Business-Type Activities**

DWSRF -DM13-952-173	\$ 1,659,763	Junction Well	7/1/2014	10/1/2040	1.50%	16,433
DWSRF DM13-952-193	2,174,530	Reservoir	7/24/2014	10/1/2040	1.50%	21,530
<i>Total Business Type Loans and Notes</i>						<u>37,963</u>

<b>Governmental Activities</b>				<b>Business Type Activities</b>		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	15,727	4,497	20,224	1,582	114	1,696
2018	18,408	1,816	20,224	1,582	55	1,637
2019	18,846	1,378	20,224	1,582	53	1,635
2020	19,295	929	20,224	1,582	50	1,632
2021-2025	19,754	470	20,224	7,909	214	8,123
2026-2030	-	-	-	7,909	152	8,061
2031-2035	-	-	-	7,909	93	8,002
2036-2040	-	-	-	7,908	35	7,943
	<u>\$ 92,030</u>	<u>\$ 9,090</u>	<u>\$ 101,120</u>	<u>\$ 37,963</u>	<u>\$ 766</u>	<u>\$ 38,729</u>

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**December 31, 2015**

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Annual debt service requirements to maturity for each of the business type loans are as follows:

2013 DWSRF Loan - Junction Well			
	Principal	Interest	Total Requirements
2016	\$ -	\$ -	\$ -
2017	685	50	735
2018	685	24	709
2019	685	23	708
2020	685	22	707
2021-2025	3,424	92	3,516
2026-2030	3,424	65	3,489
2031-2035	3,424	40	3,464
2036-2040	3,421	15	3,436
	<u>\$ 16,433</u>	<u>\$ 331</u>	<u>\$ 16,764</u>

2013 DWSRF Loan - Reservoir			
	Principal	Interest	Total Requirements
2016	\$ -	\$ -	\$ -
2017	897	64	961
2018	897	31	928
2019	897	30	927
2020	897	28	925
2021-2025	4,485	122	4,607
2026-2030	4,485	87	4,572
2031-2035	4,485	53	4,538
2036-2040	4,487	20	4,507
	<u>\$ 21,530</u>	<u>\$ 435</u>	<u>\$ 21,965</u>

Compensated Absences

Accumulated amounts of vacation leave are accrued as expenses when incurred in the government-wide and proprietary fund financial statements. At December 31, 2015, the recorded liability for sick and vacation time amounted to \$228,893 with \$161,917 recorded in governmental activities and \$66,976 recorded in business-type activities. See Note 8 for more discussion.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

**CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of the changes to the long-term debt obligations for the City during the year:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
Government loans	\$ -	\$ 92,030	\$ -	\$ 92,030	\$ -
Compensated absences	146,633	23,187	7,904	161,916	16,192
Net Pension Liability	702,529	280,990	-	983,519	-
Pollution Remediation Obligation	7,510	100	-	7,610	-
Total Governmental activity long-term liabilities	<u>\$ 856,672</u>	<u>\$ 396,307</u>	<u>\$ 7,904</u>	<u>\$ 1,245,075</u>	<u>\$ 16,192</u>
<b>Business-type activities</b>					
General obligation bonds	\$ 1,720,000	\$ -	\$ 165,000	\$ 1,555,000	\$ 170,000
Less amortized amounts:					
For issuance premiums	14,381	-	1,584	12,797	1,584
Total bonds payable	1,734,381	-	166,584	1,567,797	171,584
Government loans	1,431,244	37,963	1,431,244	37,963	-
Net Pension Liability*	308,133	123,244	-	431,377	-
Compensated absences	69,690	10,450	13,164	66,976	10,047
Total Business-type activity long-term liabilities	<u>\$ 3,543,448</u>	<u>\$ 171,657</u>	<u>\$ 1,610,992</u>	<u>\$ 2,104,113</u>	<u>\$ 181,631</u>

\*Net Pension Liability beginning balance restated due to implementation of GASB 68

On January 1, 2015, the SRF loan in the amount of \$1,431,244 was transferred to the Alliance in accordance with the wastewater transmission system agreement described in Note 16.

**NOTE 10. CONTINGENCIES AND LITIGATION**

Litigation

The City of Ridgefield has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City of Ridgefield's insurance policies are adequate to pay all known or pending claims, and at this time, there are no outstanding claims against the City.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that if such disallowances occurred, it would be immaterial.

**NOTE 11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Loans between funds are classified as interfund loans receivable or payable or as advances to and from other funds and are shown in the Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Position. Within the City, one fund may borrow from another when specifically authorized by council resolution. No interfund receivables or payables existed at year end.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year is as follows:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

**Transfer From:**

<b>Transfer To:</b>	Capital Project Fund	Non Major Governmental Funds	Water Fund	Storm Utility	Total Transfer Out
General Fund	\$ -	\$ 326,000	\$ -	\$ -	\$ 326,000
REET Fund	106,819	-	-	74,731	181,550
Park Impact Fund	620,778	-	-	-	620,778
Nonmajor Govt Funds	44,756	-	-	-	44,756
Sewer Fund	-	-	14,085	25,234	39,319
Total Transfer In	\$ <u>772,353</u>	\$ <u>326,000</u>	\$ <u>14,085</u>	\$ <u>99,965</u>	\$ <u>1,212,403</u>

General Fund transfers into the nonmajor governmental funds were made to support the Street Fund operations. Other transfers occurred to fund capital expenditures paid for by the Real Estate Excise Tax and Park Impact Fee funds.

Upon the transfer of capital assets to the Alliance, as described in Note 16, the Sewer Fund, transferred assets that were not included in the transfer of operations in the amount of \$590,116 to governmental activities. Because government fund statements do not show long-term resources, the transfer in is not recognized in the fund statement, but recognized in the Statement of Activities. Further, the Sewer Fund transferred \$14,085 and \$25,234 of capital assets to the Water and Storm Utility funds, respectively.

**NOTE 12. POLLUTION REMEDIATION OBLIGATIONS**

The remediation of the Lake River (Pacific Wood Treating or PWT) site within the City of Ridgefield, Washington is required by the United States Environmental Protection Agency (EPA) pursuant to its authority under the Resource Conservation and Recovery Act of 1976. The EPA transferred oversight of the cleanup to the State Department of Ecology under the Model Toxics Control Act, Ch 70.105D RCW. The City of Ridgefield is one of several parties named or considered a potentially responsible party. The Port of Ridgefield was named the project lead in this clean up and has performed remediation activities since 1996.

The Port has entered into and completed Agreed Order's which governed the cleanup activities required by the Washington State Department of Ecology. On November 5, 2014, Consent Decree Number 13-2-03830-1 (Consent Decree) was filed in Clark County, Washington. The Consent Decree is intended to be the final agreement between the City, the Port of Ridgefield and Ecology as to what actions it will take to complete remedial activities and groundwater monitoring at the site. The remedial activities include dredging and removing sediments in Lake River and Carty Lake, and capping the Port's Railroad Avenue property. The Port's Railroad Avenue property was capped in 2014 and is not considered in the estimated cleanup liability going forward.

The Port started the dredging work in Lake River and Carty Lake in 2014, and completed the work in 2015. There is ongoing monitoring and reporting associated with this work and these ongoing costs have been included in the December 31, 2015 estimate.

On December 8, 2014, the Port entered into Agreed Order DE 11057 (Agreed Order) with Ecology. The Agreed Order required the Port to sample properties adjacent to the Lake River Site for wood treating chemicals associated with the former PWT operations. This is considered the "Off-Property" portion of the PWT site. The Agreed Order required the Port to complete a remedial investigation and feasibility study (RI/FS) for the Off-Property Portion. Investigation work was completed in 2015. Elevated concentrations of constituents associated with wood treating chemicals were discovered. Ecology has determined that remediation of properties adjacent to the Lake River Site is necessary. The Port and Ecology are expected to determine the full extent of the properties requiring remediation during 2016 and to start remediation of properties during the summer of 2016. The requirement for this remediation work was not determined prior to 2015 and therefore not included in prior estimates. Costs for this remediation

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

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work have been included in the December 31, 2015 estimate. Variability in the estimate is associated with the fact that the full extent of the properties requiring remediation has not been determined.

Groundwater monitoring costs have very little variability. The Port is only required to complete groundwater monitoring in 2016, a new groundwater monitoring schedule for 2017 and beyond will be negotiated in 2016. It may require no additional groundwater monitoring, or another five years of monitoring. Costs for ongoing groundwater monitoring have been included in the December 31, 2015 estimate.

A budget for cleanup costs has been prepared by the Port's environmental engineer. This estimated liability was measured at current value and prepared using the Expected Cash Flow Technique, which measures the liability as the sum of probability weighted amounts in a range of possible estimated amounts. This is an estimate only and potential for change exists resulting from price increases or reductions, technology or changes in applicable laws or regulations. The estimates and assumptions will be re-evaluated on an annual basis.

The total expected outlays are \$5,073,800. Estimated recoveries by the Port of Ridgefield are \$4,921,586 leaving the remaining remediation obligation of \$152,214 to be shared by the City and Port.

The City and Port are negotiating a cost sharing agreement to cover the remaining remediation obligation. The City is expecting to share in the costs incurred by the Port to monitor groundwater as required in the Consent Decree. Using the proportion of property once or currently owned by the City covered by the Consent Decree the City expects its responsibility to be less than five percent (5%) of the remaining remediation obligation. As a result, the City has reported \$7,610 as a long term liability related to its pollution remediation obligations. As required by GASB 49, this amount will be remeasured when new information indicates changes in estimated outlays, for example, when the cost sharing agreement is finalized.

Other Potential Remediation

Property not owned by the City, but east and south of the Lake River Remediation site has contamination which may have been transported by airborne dust or drippage from trucks transporting poles from the former Pacific Wood Treating site. Ecology has not determined which government agency, if any, will take the lead or be responsible for managing the investigation and cleanup of these off site areas. An obligating event has not yet occurred for this investigation and potential remediation. However, evidence indicates that the City could be named as a responsible party. It is early in the process, and as such, there is insufficient information for the City to reasonably estimate the ranges of all components of this potential liability.

**NOTE 13. UNEARNED REVENUE – IMPACT FEE CREDITS**

Impact Fee Credits

The City of Ridgefield adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is charged at the issuance of a building permit. In addition, the developer may be entitled to a non-refundable "credit" against the applicable impact fee component for the fair market value of appropriate dedications of land, improvements or new construction of system improvements provided by the developer. In the event that the amount of the "credit" calculated is greater than the amount of the impact fee due, the developer is entitled to request issuance of impact fee credits for the calculated difference. These credits are recorded as a governmental activity in the Government-wide Financial Statements.

No water system development charge credits remain outstanding at the end of the year. 2015 Impact fee credits and system development charge credit activity is as follows:

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

Impact Fee/Development Charge Credits	Beginning Balance	Additions	Applied	Ending Balance
Traffic Impact Fees	\$ 2,048,778	\$ 2,260,772	\$ 323,868	\$ 3,985,682
Park Impact Fees	29,480	-	9,372	20,108
Total Impact Fee Credits	<u>\$ 2,078,258</u>	<u>\$ 2,260,772</u>	<u>\$ 333,240</u>	<u>\$ 4,005,790</u>

**NOTE 14. OPERATING LEASE RECEIVABLE**

The City currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. The following is an analysis of the City's investment in property under long-term, non-cancelable operating leases as of December 31, 2015:

	Governmental Activities
Land	\$188,943
Buildings	509,673
Less accumulated depreciation	(123,356)
	<u>\$575,260</u>

The following is a schedule of minimum future lease receipts on non-cancelable operating leases based on contract amounts and terms as of December 31, 2015.

December 31	Amount
2016	30,500
2017	38,250
2018	43,050
Total	<u>\$111,800</u>

**NOTE 15. RELATED PARTY AND JOINT VENTURES**

Emergency Services- CRESA

Clark Regional Emergency Services Agency (CRESA) was created under the Interlocal Cooperation Act (RCW 39.4) by agreement between the City and other governmental units and political districts. Its purpose is to provide a consolidated public safety communications service to participating cities, political districts, and Clark County. The City has a 1.4% interest in the equity and operations of CRESA. The City is reporting its investment in the joint venture at the 2015 net position value. CRESA had an increase in net position totaling \$11.5 million. The City's share of 2015 operations was a gain of \$161,715 over 2014 balances for a total equity interest of \$376,871 at the end of 2015. Current liabilities are comprised of amounts owed to vendors, other governments, and accrued employee leave liabilities. The entity's long-term debt consists solely of compensated absences. The entity's long-term debt is unsecured. Clark County maintains the accounting records for CRESA. Detailed financial statements for this entity can be obtained from CRESA, 710 W. 13th Street, Vancouver, Washington 98660.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

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Wastewater Transmission/Treatment - Discovery Clean Water Alliance (Alliance)

In 2012, Clark County, Clark Regional Wastewater District and the Cities of Battle Ground and Ridgefield (City) reached agreement on the optimum structure for a regional wastewater transmission/treatment entity to meet the needs of the agencies and community for the next generation. The Interlocal Formation Agreement (IFA), signed on September 27, 2012, represents the culmination of five years of study and provided the foundation to create a new regional utility entity, the Alliance, under the empowerment of RCW 39.106 – the Joint Municipal Utility Services Act (JMUSA). The Alliance was incorporated with the Washington Secretary of State on January 4, 2013. The Alliance is governed by a four member board, one elected official from each entity, and was established to provide wastewater transmission/treatment services to the citizenry of the respective participating members.

Throughout 2014 the District completed development and implementation of the transition work program. Activities performed in 2014 include completion of operator, franchise and asset transfer agreements, transfer of operating and access permits, adoption of a capital plan and adoption of a 2015/2016 capital and operating budget. These activities were completed in support of the January 1, 2015, full operational date for the Alliance. When the transfer occurred, the City retained \$339,944 for operating and maintenance cash reserves and capital reserves to complete a project in process. These funds belong to the Alliance and as such create a contract payable. At December 31, 2015, the contract payable related to cash reserves held on behalf of the Alliance is \$87,459.

Additionally, during the transfer, the Alliance assumed responsibility for the general obligation debt that could not be legally transferred. As a result, the City retained the long-term liability, but recognized a \$1,340,000 contract receivable. The City received \$154,813 for payment of the Sewer Bond, reducing the contract receivable by \$95,000, leaving a balance of \$1,245,000.

During 2015, the City received \$616,339 from the Alliance for Sewer Plant Operation services.

More information about the Alliance can be found on their website at <http://discoverycwa.org/>.

**NOTE 16. SPECIAL ITEM**

Transfer of Operations – Discovery Clean Water Alliance

Study efforts conducted between 2008 and 2012 strove to identify a framework where all parties charged with owning, operating or using wastewater treatment services could collectively make decisions together on the delivery of those services to the public within Clark County. This opportunity to jointly own and jointly manage regional infrastructure relied on by vested parties was an underlying theme that future members came to support, to manage both long-term costs and long-term capacity needs.

Four local governments, the County, the District, Battle Ground and Ridgefield, via interlocal agreement, formed a new entity whereby as equity partners they could have a direct voice and vote in the decisions that ultimately they have to pass on to their ratepayers. These four members, as owners and/or users of the Salmon Creek Wastewater Management System and Ridgefield Treatment Plant, recognized the benefit over the long term by integrating the two systems into a single operating entity. This resulted in the formation of Discovery Clean Water Alliance in January 2013.

Over the next two years, 2013 and 2014, work was ongoing to bring the Alliance operational as a regional wastewater transmission and treatment provider. Asset transfer agreements were signed in 2013 and 2014, resulting in the respective debt and assets of the treatment plants transferring to the Alliance as of January 1, 2015.

The treatment system transfer is defined in GASB 69, *Government Combinations and Disposals of Government Operations*, as a transfer of operations type of government combination. In accordance with GASB 69, a special item in the amount of \$3,822,311 was recognized. The City transferred capital assets in the amount of \$5.1 million, cash balances in the amount of \$1.2 million, and some related liabilities of \$1.4 million. Additionally, in lieu of transferring related bonded debt, the Alliance assumed responsibility for the liability, as it could not legally be transferred from the City. This created a contract receivable in the amount of \$1,245,000.



**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

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The Alliance now owns the assets, but the City continues to operate the treatment system. The Major Sewer Fund comprises the revenues and expenses related to this activity.

**NOTE 17. OTHER DISCLOSURES**

Prior Period Adjustments/Restatements

The Statement of Activities, governmental activities column, presents a prior period adjustment of \$(2,106,345). This is made up of the following items:

- \$ 31,567 – Account receivable adjustments
- \$(2,147,284) – TIF credits due to developer for contributions made prior to 2012.
- \$9,372 – Park Impact Fee developer credits which were used in 2014 but not recorded as revenue.

The Statement of Activities, business activities column and proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position presents a prior period adjustment of \$93,023. This represents capital asset corrections, related to overcapitalizing assets, discovered during the Sewer Utility's transfer of operations.

Further, the Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund presents a prior period adjustment in the amount of \$21,562, which resulted from accounts receivable necessary for reconciliation. The Street Fund, Statement of Revenues, Expenditures and Changes in Fund Balances, presented a prior period adjustment in the amount of \$10,005, which resulted from Motor Vehicle Fuel Tax received in 2015 that should have been accrued to 2014.

Deficit Fund Balance

The Sewer Utility Fund presents a deficit fund balance of \$1,393,899. This occurred because the City transferred the Sewer capital assets as described in Note 16. The City could not legally transfer the bond that purchased the assets to the Alliance and it is not callable until 2016. The Alliance has promised to make the bond payments, but the operator agreement doesn't make the Alliance responsible for the bonds. In 2016, the City will receive funds from the Alliance and Clark Regional Waste Water District to defease the bonds.

Additionally, the City Street nonmajor fund presents a deficit of \$4,904. This occurred because the funds accounts payable exceeded its cash available. The deficit will be corrected in 2016 with transfers in from the general fund.

Subsequent Events

In 2014, the City was awarded a Drinking Water State Revolving Fund Loan in the amount of \$1,659,763 for capital improvements to the Well and Transmission systems of the Water Fund. As of December 31, 2015, only the loan fee of \$16,433 was shown as payable on this loan. Drawdowns have been requested for 2015 expenditures, but not received until 2016. The remaining costs of the project will be borrowed in 2016.

In 2014, the City was awarded a Drinking Water State Revolving Fund Loan in the amount of \$2,174,530 to finance capital improvements to the Junction Reservoir of the Water Fund. As of December 31, 2015, only the loan fee of \$21,530 was shown as payable on this loan. Drawdowns have been requested for 2015 expenditures, but not received until 2016. The remaining costs of the project will be borrowed in 2016.

**CITY OF RIDGEFIELD**  
**Notes to Financial Statements**  
**December 31, 2015**

**Federal Financial Assistance**

The City recorded the following federal grant expenditures for 2015:

City of Ridgefield

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2015**

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients
				From Pass-Through Awards	From Direct Awards	Total Amount	
Department of Transportation National Highway Traffic Safety Administration (NHTSA) / Washington Association of Sheriff's and Police Chiefs	State and Community Highway Safety	20.600		1,400		1,400	-
Department of Justice Bureau of Justice Assistance	Bulletproof Vest Partnership Program	16.607			918	918	-
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-173	418,239		418,239	-
Environmental Protection Agency Office of Water/ Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-193	194,126		194,126	-
<b>Total Federal Awards Expended:</b>				<b>613,765</b>	<b>918</b>	<b>614,683</b>	<b>-</b>

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**City of Ridgefield**  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30  
Last 2 Fiscal Years

<u>Year Ended June 30,</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability</u>	<u>Employer's covered employee payroll</u>	<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	0.014371%	\$ 751,737	\$ 0	NA	59.10%
2014	0.013762%	693,267	78,916	878.49%	61.19%

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**City of Ridgefield**  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2-3  
As of June 30  
Last Two Fiscal Years

<u>Year Ended June 30,</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability</u>	<u>Employer's covered employee payroll</u>	<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	0.018560%	\$ 663,159	\$ 1,647,024	40.26%	89.20%
2014	0.015702%	317,394	1,355,562	23.41%	93.29%

**City of Ridgefield**  
 Schedule of Proportionate Share of the Net Pension Liability  
 LEOFF 2  
 As of June 30  
 Last Two Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.016106%	\$ (165,537)	\$ (109,453)	\$ (274,990)	\$ 467,365	-35.42%	111.67%
2014	0.014435%	(191,559)	(125,159)	(316,718)	401,594	-47.70%	116.75%

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**City of Ridgefield**  
Schedule of Employer Contributions  
PERS 1  
As of December 31  
Last 2 Fiscal Years

<u>Year Ended December 31,</u>	<u>Statutorily or contractually required contributions</u>	<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employer payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2015	\$ 80,460	\$ (80,460)	\$ -	\$ -	N/A
2014	64,907	(64,907)	-	21,416	303.08%

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**City of Ridgefield**  
Schedule of Employer Contributions  
PERS 2, 3  
As of December 31  
Last 2 Fiscal Years

<u>Year Ended December 31,</u>	<u>Statutorily or contractually required contributions</u>	<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employer payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2015	\$ 103,283	\$ (103,283)	\$ 0	\$ 1,812,174	5.70%
2014	77,946	(77,946)	0	2,205,719	3.53%

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**City of Ridgefield**  
Schedule of Employer Contributions  
LEOFF 2  
As of December 31  
Last 2 Fiscal Years

<u>Year Ended December 31,</u>	<u>Statutorily or contractually required contributions</u>	<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employer payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2015	\$ 24,661	\$ (24,661)	\$ 0	\$ 471,525	5.23%
2014	25,356	(25,356)	0	484,795	5.23%



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Notes to Required Supplemental Information – Pension

As of December 31  
Last Two Fiscal Years

**Note 1:** Information Provided

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

**Note 2:** Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 3:** Change in Contribution Rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

**Note 4:** Covered Payroll PERS 1

Beginning in 2015, the City no longer had active employees participating in PERS 1; therefore, contributions as a percent of covered payroll in 2015 is not applicable.

## 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.

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