



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Town of Garfield

Whitman County

For the period January 1, 2013 through December 31, 2015

Published November 10, 2016

Report No. 1017863





Washington State Auditor's Office

November 10, 2016

Mayor and Town Council
Town of Garfield
Garfield, Washington

Report on Financial Statements

Please find attached our report on the Town of Garfield's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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

**Town of Garfield
Whitman County
January 1, 2013 through December 31, 2015**

Mayor and Town Council
Town of Garfield
Garfield, 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 Town of Garfield, Whitman County, Washington, as of and for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated October 24, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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

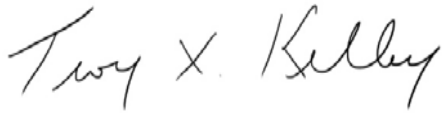
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 Town'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 Town'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

October 24, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Garfield Whitman County January 1, 2013 through December 31, 2015

Mayor and Town Council
Town of Garfield
Garfield, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Garfield, Whitman County, Washington, for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town of Garfield, for the years ended December 31, 2015, 2014 and 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Garfield, as of December 31, 2015, 2014 and 2013, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

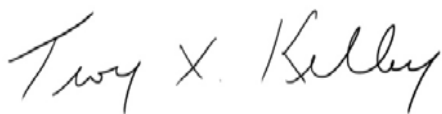
Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

October 24, 2016

FINANCIAL SECTION

**Town of Garfield
Whitman County
January 1, 2013 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
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Schedule of Liabilities – 2013

Town of Garfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Current Expense	101 City Street Fund
Beginning Cash and Investments				
30810	Reserved	449,051	50,832	85,683
30880	Unreserved	132,562	96,542	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	203,577	144,432	59,146
320	Licenses and Permits	640	640	-
330	Intergovernmental Revenues	40,703	28,165	12,538
340	Charges for Goods and Services	369,006	75	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	4,230	1,389	442
Total Operating Revenues:		618,156	174,701	72,125
Operating Expenditures				
510	General Government	55,165	55,165	-
520	Public Safety	86,337	86,337	-
530	Utilities	294,011	-	-
540	Transportation	61,414	-	61,414
550	Natural and Economic Environment	74	74	-
560	Social Services	103	103	-
570	Culture and Recreation	14,507	14,507	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		511,610	156,185	61,414
Net Operating Increase (Decrease):		106,545	18,515	10,711
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	308	308	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	16,000	-	-
Total Nonoperating Revenues:		16,308	308	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	255	255	-
591-593	Debt Service	72,060	-	-
594-595	Capital Expenditures	23,636	3,124	-
597	Transfers-Out	16,000	16,000	-
Total Nonoperating Expenditures:		111,950	19,379	-
Net Increase (Decrease) in Cash and Investments:		10,903	(555)	10,711
Ending Cash and Investments				
5081000	Reserved	460,228	62,132	96,394
5088000	Unreserved	132,289	84,688	-
Total Ending Cash and Investments		592,517	146,821	96,394

The accompanying notes are an integral part of this statement.

304 Capital Facilities Project Fund	310 Fire Capital Projects Fund	311 Police Capital Projects Fund	312 Equipment Capital Fund	401 Water Fund
29,160	20,210	20,660	39,728	202,779
-	-	-	-	36,019
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	368,931
-	-	-	-	-
133	104	103	188	1,870
<u>133</u>	<u>104</u>	<u>103</u>	<u>188</u>	<u>370,801</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	294,011
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	294,011
<u>133</u>	<u>104</u>	<u>103</u>	<u>188</u>	<u>76,790</u>
-	-	-	-	-
-	-	-	-	-
-	3,000	1,000	12,000	-
<u>-</u>	<u>3,000</u>	<u>1,000</u>	<u>12,000</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	72,060
3,622	-	-	6,890	10,000
-	-	-	-	-
<u>3,622</u>	<u>-</u>	<u>-</u>	<u>6,890</u>	<u>82,060</u>
(3,489)	3,104	1,103	5,298	(5,270)
25,671	23,314	21,763	45,026	185,928
-	-	-	-	47,601
<u>25,671</u>	<u>23,314</u>	<u>21,763</u>	<u>45,026</u>	<u>233,529</u>

The accompanying notes are an integral part of this statement.

Town of Garfield
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	633 Utility Deposits Fund
308	Beginning Cash and Investments	10,691	10,691
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	2,217	2,217
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	2,546	2,546
	Net Increase (Decrease) in Cash and Investments:	(329)	(329)
508	Ending Cash and Investments	10,362	10,362

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense	101 City Street Fund
Beginning Cash and Investments				
30810	Reserved	462,509	49,532	74,954
30880	Unreserved	120,299	75,092	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	204,647	147,637	57,010
320	Licenses and Permits	2,097	2,097	-
330	Intergovernmental Revenues	36,404	24,131	12,274
340	Charges for Goods and Services	353,822	60	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	7,018	1,192	2,357
Total Operating Revenues:		603,988	175,116	71,640
Operating Expenditures				
510	General Government	47,085	47,085	-
520	Public Safety	84,288	84,288	-
530	Utilities	312,336	-	-
540	Transportation	60,384	-	60,384
550	Natural and Economic Environment	73	73	-
560	Social Services	123	123	-
570	Culture and Recreation	13,981	13,981	-
Total Operating Expenditures:		518,270	145,550	60,384
Net Operating Increase (Decrease):		85,718	29,566	11,256
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	2,506	506	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	6,000	-	-
Total Nonoperating Revenues:		8,506	506	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	498	498	-
591-593	Debt Service	72,494	-	-
594-595	Capital Expenditures	16,427	824	528
597	Transfers-Out	6,000	6,000	-
Total Nonoperating Expenditures:		95,419	7,322	528
Net Increase (Decrease) in Cash and Investments:		(1,195)	22,750	10,728
Ending Cash and Investments				
5081000	Reserved	449,051	50,832	85,683
5088000	Unreserved	132,562	96,542	-
Total Ending Cash and Investments		581,613	147,375	85,683

The accompanying notes are an integral part of this statement.

304 Capital Facilities Project Fund	310 Fire Capital Projects Fund	311 Police Capital Projects Fund	312 Equipment Capital Fund	401 Water Fund
29,023	17,123	19,568	37,551	234,757
-	-	-	-	45,207
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	353,762
-	-	-	-	-
136	87	92	177	2,977
<u>136</u>	<u>87</u>	<u>92</u>	<u>177</u>	<u>356,739</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	312,336
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	312,336
<u>136</u>	<u>87</u>	<u>92</u>	<u>177</u>	<u>44,403</u>
-	-	-	-	2,000
-	-	-	-	-
-	3,000	1,000	2,000	-
<u>-</u>	<u>3,000</u>	<u>1,000</u>	<u>2,000</u>	<u>2,000</u>
-	-	-	-	-
-	-	-	-	72,494
-	-	-	-	15,075
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,569</u>
<u>136</u>	<u>3,087</u>	<u>1,092</u>	<u>2,177</u>	<u>(41,166)</u>
29,160	20,210	20,660	39,728	202,779
-	-	-	-	36,019
<u>29,160</u>	<u>20,210</u>	<u>20,660</u>	<u>39,728</u>	<u>238,798</u>

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	633 Utility Deposits Fund
308	Beginning Cash and Investments	8,064	8,064
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	4,268	4,268
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	1,640	1,640
	Net Increase (Decrease) in Cash and Investments:	2,628	2,628
508	Ending Cash and Investments	10,691	10,691

The accompanying notes are an integral part of this statement.

Town of Garfield
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	001 Current Expense	101 City Street Fund
Beginning Cash and Investments				
30810	Reserved	469,984	47,707	57,548
30880	Unreserved	153,240	78,552	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	202,886	145,543	55,506
320	Licenses & Permits	1,819	1,819	-
330	Intergovernmental Revenues	41,801	23,799	18,002
340	Charges for Goods and Services	358,497	106	-
350	Fines & Penalties	-	-	-
360	Miscellaneous Revenues	8,082	1,865	980
Total Operating Revenues:		613,085	173,132	74,488
Operating Expenditures				
510	General Government	54,269	54,269	-
520	Public Safety	85,564	85,564	-
530	Utilities	289,816	-	-
540	Transportation	60,478	-	60,478
550	Natural and Economic Environment	65	65	-
560	Social Services	122	122	-
570	Culture And Recreation	14,517	14,517	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		504,831	154,537	60,478
Net Operating Increase (Decrease):		108,254	18,595	14,010
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	21,497	1,091	9,097
391-393	Debt Proceeds	-	-	-
397	Transfers-In	13,000	-	-
Total Nonoperating Revenues:		34,497	1,091	9,097
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	1,115	1,092	-
591-593	Debt Service	72,928	-	-
594-595	Capital Expenditures	96,126	7,230	5,702
597	Transfers-Out	13,000	13,000	-
Total Nonoperating Expenditures:		183,169	21,322	5,702
Net Increase (Decrease) in Cash and Investments:		(40,418)	(1,636)	17,405
Ending Cash and Investments				
5081000	Reserved	462,508	49,532	74,954
5088000	Unreserved	120,296	75,091	(1)
Total Ending Cash and Investments		582,804	124,623	74,953

The accompanying notes are an integral part of this statement.

304 Capital Facilities Project Fund	310 Fire Capital Projects Fund	311 Police Capital Projects Fund	312 Equipment Capital Fund	401 Water Fund
27,040	22,043	18,469	33,869	263,308
-	-	-	-	74,688
-	-	-	-	-
1,837	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	358,391
-	-	-	-	-
146	111	99	1,682	3,199
<u>1,983</u>	<u>111</u>	<u>99</u>	<u>1,682</u>	<u>361,590</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	289,816
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	289,816
<u>1,983</u>	<u>111</u>	<u>99</u>	<u>1,682</u>	<u>71,774</u>
-	-	-	-	11,309
-	-	-	-	-
-	10,000	1,000	2,000	-
<u>-</u>	<u>10,000</u>	<u>1,000</u>	<u>2,000</u>	<u>11,309</u>
-	-	-	-	23
-	-	-	-	72,928
-	15,032	-	-	68,162
-	-	-	-	-
<u>-</u>	<u>15,032</u>	<u>-</u>	<u>-</u>	<u>141,113</u>
<u>1,983</u>	<u>(4,921)</u>	<u>1,099</u>	<u>3,682</u>	<u>(58,030)</u>
29,023	17,123	19,568	37,551	234,757
(1)	(1)	-	-	45,208
<u>29,022</u>	<u>17,122</u>	<u>19,568</u>	<u>37,551</u>	<u>279,965</u>

The accompanying notes are an integral part of this statement.

Town of Garfield
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	633 Utility Deposits Fund
308	Beginning Cash and Investments	6,283	6,283
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	2,505	2,505
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	724	724
	Net Increase (Decrease) in Cash and Investments:	1,781	1,781
508	Ending Cash and Investments	8,064	8,064

The accompanying notes are an integral part of this statement.

TOWN OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The Town of Garfield was incorporated in 1888 and operates under the laws of the State of Washington applicable to a Town with a Mayor-Council form of government. The Town of Garfield is a general purpose government and provides public safety, fire prevention, street improvement, parks, and general administrative services. In addition the Town owns and operates a water system, sewer system and solid waste collection system. The Town of Garfield uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

This fund is the primary operating fund of the Town of Garfield. It accounts for all financial resources except those required or elected to be accounted for in another fund. For the 2015 roll-up this fund includes 001, and managerial fund 002.

Special Revenue Funds (100-199)

These funds account for specific revenue sources that are restricted or committed to

expenditures for specified purposes of the Town of Garfield. For the 2015 roll-up fund 101 includes 101 and managerial fund 102. Any transfers between this managerial fund and fund 101 were eliminated for reporting purposes.

Capital Projects Funds (300-399)

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. For 2015 these fund include 304, 310, 311 and 312.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. For the 2015 roll-up fund 401 includes 401, and managerial funds 402, 403, 410, 412 and 413. Any transfers between these managerial funds and fund 401 were eliminated for reporting purposes.

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that Town of Garfield holds for others in an agency capacity. In the Town of Garfield's case, this fund holds utility customer deposits to be returned if one year's utility payments are made in a timely fashion.

B. Basis of Accounting

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when they are paid.

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

C. Budgets

The Town of Garfield adopts annual appropriated budgets for the general fund, special revenue funds, enterprise funds, private purpose trust funds, and agency funds. These budgets are appropriated at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting, prior to any fund roll-up.

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

Fund/Department 2015 BUDGET	Final Appropriated	Actual Expenditures	Variance
001 Current Expense	\$ 192,649.00	\$ 186,863.44	\$ 5,785.56
*002 Current Expense Reserve	\$ 3,000.00	\$ 0.0	\$ 3,000.00
101 City Street Fund	\$ 72,740.00	\$ 63,414.03	\$ 9,325.97
*102 City Street Reserve	\$ 1,000.00	\$ 0.0	\$ 1,000.00
304 Capital Facilities Improve	\$ 7,000.00	\$ 3,622.08	\$ 3,377.92
310 Fire Equipment Reserve	\$ 0.0	\$ 0.0	\$ 0.0
311 Police Equipment Reserve	\$ 0.0	\$ 0.0	\$ 0.0
312 Equipment Reserve	\$ 8,000.00	\$ 6,889.99	\$ 1,110.01
401 Water Fund	\$ 403,611.00	\$ 401,180.90	\$ 2,430.10
*402 Water Loan	\$ 21,732.00	\$ 20,862.51	\$ 869.49
*403 Sewer Loan Redemption	\$ 51,198.00	\$ 51,197.14	\$.86
*410 Utilities Reserve	\$ 40,000.00	\$ 40,000.00	\$ 0.0
*412 Utilities Equipment Reserve	\$ 13,000.00	\$ 13,000.00	\$ 0.0
*413 Sewer Loan Reserve	\$ 0.0	\$ 0.0	\$ 0.0
633 Water Deposits	\$ 3,000.00	\$ 2,546.39	\$ 453.61
TOTAL	\$ 816,930.00	\$ 789,576.48	\$ 27,353.52

The funds in the chart above that are marked by an * are managerial funds which have been rolled into their main funds as noted above under 1a.

Budgeted amounts are authorized to be transferred between any funds however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town of Garfield's legislative body. The 2015 Budget was adopted by Ordinance No. 449N and amended by Ordinance No. 453N thereby revising the Water Fund, Utilities Reserve Fund, and Utility Deposits Fund set forth in the 2015 Annual Budget for the Town of Garfield.

D. Cash and Investments

See Note 3 Deposits and Investments

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 20 years, as adopted by the Town Council on May 8, 2013, by Resolution 2013-10. The capital assets of the Town of Garfield are recorded as expenditures when purchased. Capital assets are long-lived assets of the Town of Garfield and are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours for all categories and is payable upon separation or retirement.

Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

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

H. Other Financing Sources or Uses

The Town of Garfield's "Other Financing Sources or Uses" consist of "Interest and Other Debt Service Costs", "Capital Expenditures" and "Operating Transfers" which are transfers to support the operations of other funds, and intergovernmental payments to the City of Palouse for contracted law enforcement services.

I. Risk Management

The Town of Garfield is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 102 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million

in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2015, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

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

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

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

L. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Garfield Town Council. When expenditures that meet restrictions are incurred, the Town of Garfield intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash consist of:

Fund 002 Current Expense Reserve, reserved for emergency money for fund 001 and is internally restricted. Reserved Fund Balance is \$62,132.33. Ordinance 337N.

Fund 101 City Street Fund, reserved for street projects only and is internally restricted. Reserve Fund Balance is \$58,809.04.

Fund 102 City Street Reserve Fund, reserved for major street projects and is internally restricted. Reserved Fund Balance is \$37,584.82.

Fund 304 Capital Facilities Project Fund, reserved for major capital projects that are listed on the annual capital facilities plan enacted by resolution and they are internally restricted. Reserve Fund Balance is \$25,670.89.

Fund 310 Fire Capital Projects Fund, funds are reserved for the purchase of a fire truck and are internally restricted. Reserve Fund Balance is \$23,313.89. Ordinance 230N.

Fund 311 Police Capital Projects Fund, funds are reserved for the purchase of a police car and are internally restricted. Reserve Fund Balance is \$21,763.11. Resolution 4-99 states the cost of any equipment purchased by the town for police or public safety purposes may be paid all or in part from this fund.

Fund 312 Equipment Capital Fund, funds are reserved for the purchase of major pieces of equipment for the town and are internally restricted. Reserve Fund Balance is \$45,025.83. Ordinance 229N.

Fund 402 Water Loan, funds are reserved for the final water loan payment and are externally restricted by the Dept. of Commerce. Reserve Fund Balance is \$ 5,909.82. Ordinance 298N.

Fund 410 Utilities Reserve, funds are reserved for major utility infrastructure projects and are internally restricted. Reserve Fund Balance is \$66,553.50. Ordinance 365N

Fund 412 Utilities Equipment Reserve, funds are restricted for major purchase of equipment that would affect the water, sewer or garbage funds and are internally restricted. Reserve Fund Balance is \$56,022.55. Ordinance 297N and 365N.

Fund 413 Sewer Loan Redemption, funds are reserved for the final payment of the sewer loan and are externally restricted by the Dept. of Ecology. Reserve Fund Balance is \$ 57,442.03. Ordinance 232N.

Fund 633 Utility Deposits Fund, funds are reserved to refund utility deposits made on accounts after 12 months of consecutive on time payments. Internally Restricted. Fund Reserve Balance is \$10,362.10.

The town has separate reserve funds that were rolled up into their main funds for the 2015 Annual Reporting period. See Note 1a. Based upon Town of Garfield ordinances and/or resolutions, legal requirements by lending agencies or by nature of the revenue source, year-end reserved fund balances were recognized. Garfield's Town Council is the highest level of decision making authority that is responsible for establishing, modifying or rescinding a fund balance and it must be done by resolution.

NOTE 2 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month and/or mid-month.

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

The Town's regular levy for the year 2015 was \$2.721905 per \$1,000 on an assessed valuation of \$25,851,004 for a total regular levy of \$64,448.74. The Town's special levy to finance street maintenance and repair and street improvements for the year 2015 was \$2.427067 per \$1,000 on an assessed valuation of \$25,851.044 for a total special levy of \$56,999.97.

NOTE 3 – DEPOSITS AND INVESTMENTS

It is the Town of Garfield's policy to invest temporary cash surpluses. The town's checking account is a Public Funds NOW account, with temporary cash surpluses in a 15-month CD. The funds in these two accounts are included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these accounts is prorated to the various funds.

The Town of Garfield deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPCC).

The Town's investments are insured, registered or held by the Town or its agent in the Town's name. Investments are reported at fair market value. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>Town of Garfield's Own Investments</u>	Investments held by Town of Garfield as an agent for other local Governments, individuals Or private organizations	<u>Total</u>
Certificate of Deposit	<u>\$474,878.25</u>		<u>\$474,878.25</u>
TOTAL	\$474,878.25	\$0.00	\$474,878.25

NOTE 4 – DEBT SERVICE REQUIREMENTS

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

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

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2016		\$71,625.02		\$71,625.02
2017		\$71,190.37		\$71,190.37
2018		\$70,755.75		\$70,755.75
2019		\$70,321.10		\$70,321.10
2020		\$69,892.48		\$69,892.48
2021-2022		\$112,870.48		\$112,870.48
Total		\$466,655.20		\$466,655.20

NOTE 5 – INTERFUND LOANS

The Town had no interfund loans in 2015.

NOTE 6 – State Sponsored Pension Plans

Substantially all Town of Garfield's full-time and qualifying part-time employees participate in 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.

Public Employees' Retirement System (PERS)

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.

At June 30, 2015 (the measurement date of the plans), the Town of Garfield's proportionate share of the collective net pension liabilities*, as reported on Schedule 9, was as follows:

	Allocation %	Liability (Asset)
	%	\$
PERS 1 UAAL	0.001102	\$57,645
PERS 2	0.001424	\$50,880
Total		\$108,525

NOTE 7 – OTHER DISCLOSURES

- A. The Mayor and Town Council Members voluntarily waived their salaries for the year 2015.
- B. PDA Disclosure. By way of Ordinance # 313N March 2005, the Town of Garfield formed the Public Development Association. The appointments to that board are by City Council action. The PDA disbanded in 2015.
- C. The restaurant building located at 216 W California Street was turned over from the Public Development Authority to the Town of Garfield as the PDA could no longer sustain the expenses to maintain the facility. The Town of Garfield will pay the electricity and building insurance until a suitable tenant is found for the space at which time the PDA (once reestablished) will reimburse the town for money spent to maintain the building.
- D. Inter-local Police Service Agreement with the City of Palouse. By Resolution 2013-20 an inter-local agreement was formed to have the Palouse Police Department also service the policing needs for the Town of Garfield. In 2015 twelve payments of \$6,189.72 for a total of \$74,276.64 were paid to the City of Palouse for their services.

TOWN OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The Town of Garfield was incorporated in 1888 and operates under the laws of the state of Washington applicable to a Town with a Mayor-Council form of government. The Town of Garfield is a general purpose government and provides public safety, fire prevention, street improvement, parks, and general administrative services. In addition the Town owns and operates a water system, sewer system and solid waste collection system. The Town of Garfield uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

This fund is the primary operating fund of the Town of Garfield. It accounts for all financial resources except those required or elected to be accounted for in another fund. For the 2014 roll-up this fund includes 001, and managerial fund 002.

Special Revenue Funds (100-199)

These funds account for specific revenue sources that are restricted or committed to

expenditures for specified purposes of the Town of Garfield. For the 2014 roll-up fund 101 includes 101 and managerial fund 102. Any transfers between this managerial fund and fund 101 were eliminated for reporting purposes.

Capital Projects Funds (300-399)

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. For 2014 these fund include 304, 310, 311 and 312.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. For the 2014 roll-up fund 401 includes 401, and managerial funds 402, 403, 410, 412 and 413. Any transfers between these managerial funds and fund 401 were eliminated for reporting purposes.

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that Town of Garfield holds for others in an agency capacity. In the Town of Garfield's case, this fund holds utility customer deposits to be returned if one year's utility payments are made in a timely fashion.

B. Basis of Accounting

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when they are paid.

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

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

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

C. Budgets

The Town of Garfield adopts annual appropriated budgets for the general fund, special revenue funds, enterprise funds, private purpose trust funds, and agency funds. These budgets are appropriated at the department level. The budget constitutes the legal

authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting, prior to any fund roll-up.

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

Fund/Department 2014 BUDGET	Final Appropriated	Actual Expenditures	Variance
001 Current Expense	\$ 163,141.00	\$ 154,171.44	\$ 8,969.56
*002 Current Expense Reserve	\$ 3,000.00	\$ 0.0	\$ 3,000.00
101 City Street Fund	\$ 66,232.00	\$ 62,912.17	\$ 3,319.83
*102 City Street Reserve	\$ 1,000.00	\$ 0.0	\$ 1,000.00
304 Capital Facilities Improve	\$ 0.0	\$ 0.0	\$ 0.0
310 Fire Equipment Reserve	\$ 0.0	\$ 0.0	\$ 0.0
311 Police Equipment Reserve	\$ 0.0	\$ 0.0	\$ 0.0
312 Equipment Reserve	\$ 1,500.00	\$ 0.0	\$ 1,500.00
401 Water Fund	\$ 435,000.00	\$ 423,817.65	\$ 11,182.35
*402 Water Loan	\$ 21,733.00	\$ 21,297.15	\$ 435.85
*403 Sewer Loan Redemption	\$ 51,198.00	\$ 51,197.14	\$.86
*410 Utilities Reserve	\$ 52,000.00	\$ 52,000.00	\$ 0.0
*412 Utilities Equipment Reserve	\$ 16,500.00	\$ 16,243.86	\$ 256.14
*413 Sewer Loan Reserve	\$ 0.0	\$ 0.0	\$ 0.0
633 Water Deposits	\$ 2,000.00	\$ 1,640.05	\$ 359.95
TOTAL	\$ 813,304.00	\$ 783,279.46	\$ 30,024.54

The funds in the chart above that are marked by an * are managerial funds which have been rolled into their main funds as noted above under 1a.

Budgeted amounts are authorized to be transferred between any funds however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town of Garfield's legislative body. The 2014 Budget was adopted by Ordinance No. 442N and amended by Ordinance No. 444N thereby revising the Water Fund, Utilities Reserve Fund, Utilities Equipment Reserve Fund and Utility Deposits Fund set forth in the 2014 Annual Budget for the Town of Garfield.

D. Cash and Investments

See Note 3 Deposits and Investments

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an

estimated useful life in excess of 20 years, as adopted by the Town Council on May 8, 2013, by Resolution 2013-10. The capital assets of the Town of Garfield are recorded as expenditures when purchased. Capital assets are long-lived assets of the Town of Garfield and are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours for all categories and is payable upon separation or retirement.

Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

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

H. Other Financing Sources or Uses

The Town of Garfield's "Other Financing Sources or Uses" consist of "Interest and Other Debt Service Costs", "Capital Expenditures" and "Operating Transfers" which are transfers to support the operations of other funds, and intergovernmental payments to the City of Palouse for contracted law enforcement services.

I. Risk Management

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

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

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

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

eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

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

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

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

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

L. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Garfield Town Council. When expenditures that meet restrictions are incurred, the Town of Garfield intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash consist of:

Fund 002 Current Expense Reserve, reserved for emergency money for fund 001 and is internally restricted. Reserved Fund Balance is \$50,832.33. Ordinance 337N.

Fund 101 City Street Fund, reserved for street projects only and is internally restricted. Reserve Fund Balance is \$50,275.31.

Fund 102 City Street Reserve Fund, reserved for major street projects and is internally restricted. Reserved Fund Balance is \$35,407.45.

Fund 304 Capital Facilities Project Fund, reserved for major capital projects that are listed on the annual capital facilities plan enacted by resolution and they are internally restricted. Reserve Fund Balance is \$29,159.52.

Fund 310 Fire Capital Projects Fund, funds are reserved for the purchase of a fire truck and are internally restricted. Reserve Fund Balance is \$20,210.30. Ordinance 230N.

Fund 311 Police Capital Projects Fund, funds are reserved for the purchase of a police car and are internally restricted. Reserve Fund Balance is \$20,659.84. Resolution 4-99 states the cost of any equipment purchased by the town for police or public safety purposes may be paid all or in part from this fund.

Fund 312 Equipment Capital Fund, funds are reserved for the purchase of major pieces of equipment for the town and are internally restricted. Reserve Fund Balance is \$39,727.54. Ordinance 229N.

Fund 402 Water Loan, funds are reserved for the final water loan payment and are externally restricted by the Dept. of Commerce. Reserve Fund Balance is \$ 5,873.31. Ordinance 298N.

Fund 410 Utilities Reserve, funds are reserved for major utility infrastructure projects and are internally restricted. Reserve Fund Balance is \$78,057.73. Ordinance 365N.

Fund 412 Utilities Equipment Reserve, funds are restricted for major purchase of equipment that would affect the water, sewer or garbage funds and are internally restricted. Reserve Fund Balance is \$61,687.75. Ordinance 297N and 365N.

Fund 413 Sewer Loan Redemption, funds are reserved for the final payment of the sewer loan and are externally restricted by the Dept. of Ecology. Reserve Fund Balance is \$ 57,159.76. Ordinance 232N.

Fund 633 Utility Deposits Fund, funds are reserved to refund utility deposits made on accounts after 12 months of consecutive on time payments. Internally Restricted. Fund Reserve Balance is \$10,691.46.

The town has separate reserve funds that were rolled up into their main funds for the 2014 Annual Reporting period. See Note 1a. Based upon Town of Garfield ordinances and/or resolutions, legal requirements by lending agencies or by nature of the revenue source, year-end reserved fund balances were recognized. Garfield's Town Council is the highest level of decision making authority that is responsible for establishing, modifying or rescinding a fund balance and it must be done by resolution.

NOTE 2 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month and/or mid-month.

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

The Town's regular levy for the year 2014 was \$2.613613 per \$1,000 on an assessed valuation of \$23,938,513 for a total regular levy of \$62,566.02. The Town's special levy to finance street maintenance and repair and street improvements for the year 2014 was \$2.405955 per \$1,000 on an assessed valuation of \$23,691,223 for a total special levy of \$57,000.03.

NOTE 3 – DEPOSITS AND INVESTMENTS

It is the Town of Garfield's policy to invest temporary cash surpluses. The town's checking account is a Public Funds NOW account, with temporary cash surpluses in a 15-month CD. The funds in these two accounts are included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these accounts is prorated to the various funds.

The Town of Garfield deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

The Town's investments are insured, registered or held by the Town or its agent in the Town's name. Investments are reported at fair market value. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Town of Garfield's Own Investments</u>	Investments held by Town of Garfield as an agent for other local Governments, individuals Or private organizations	<u>Total</u>
Certificate of Deposit	<u>\$474,878.25</u>		<u>\$474,878.25</u>
TOTAL	\$474,878.25	\$0.00	\$474,878.25

NOTE 4 – DEBT SERVICE REQUIREMENTS

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

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

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2015	\$ -	\$ 72,059.66		\$ 72,059.66
2016	\$ -	\$ 71,625.01		\$ 71,625.01
2017	\$ -	\$ 71,190.38		\$ 71,190.38
2018	\$ -	\$ 70,755.74		\$ 70,755.74
2019		\$ 70,321.11		\$ 70,321.11
2020-2022	\$ -	\$ 182,756.95		\$ 182,756.95
				\$ 538,708.85
Totals	\$ -	\$ 538,708.85		

NOTE 5 – INTERFUND LOANS

The Town had no interfund loans in 2014.

NOTE 6 – PENSION PLANS

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

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

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

NOTE 7 – OTHER DISCLOSURES

- A. The Mayor and Town Council Members voluntarily waived their salary for the year 2014.
- B. On January 15, 2010, the Office of Financial Management (OFM) issued a cease and desist order against the Cities Insurance Association of Washington (CIAW). This order was issued based upon a projected funding shortfall for potential unpaid claims liabilities for the fiscal years 2002-2006. On February 25, 2010, the CIAW submitted a plan to OFM to address the concerns raised in the cease and desist order. Included in the plan was a reassessment of \$986,214 to be charged back to all participating cities during the years in question. Each city will have 5 years to repay their proportionate share of the reassessment. October 28, 2010, the town was notified its annual assessment for 5 years would be \$1,004.28 which is expensed to insurance annually and is not considered as having a material impact on the financial statements. The fifth and final payment was made to CIAW on 10/31/2014.
- C. PDA Disclosure. By way of Ordinance # 313N March 2005, the Town of Garfield formed the Public Development Association. The appointments to that board are by City Council action.
- D. The restaurant building located at 216 W California Street was turned over from the Public Development Authority to the Town of Garfield as the PDA could no longer sustain the expenses to maintain the facility. The Town of Garfield will pay the electricity and building insurance until a suitable tenant is found for the space at which time the PDA will reimburse the town for money spent to maintain the building.
- E. Inter-local Police Service Agreement with the City of Palouse. By Resolution 2013-20 an inter-local agreement was formed to have the Palouse Police Department also service the policing needs for the Town of Garfield. In 2014 twelve payments of \$5,951.65 for a total of \$71,419.80 were paid to the City of Palouse for their services.

TOWN OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

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

The Town of Garfield was incorporated in 1888 and operates under the laws of the state of Washington applicable to a Town with a Mayor-Council form of government. The Town of Garfield is a general purpose government and provides public safety, fire prevention, street improvement, parks, and general administrative services. In addition the Town owns and operates a water system, sewer system and solid waste collection system. The Town of Garfield uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

This fund is the primary operating fund of the Town of Garfield. It accounts for all financial resources except those required or elected to be accounted for in another fund. For the 2013 roll-up this fund includes 001, and managerial fund 002.

Special Revenue Funds (100-199)

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the Town of Garfield. For the 2013 roll-up fund 101 includes 101 and managerial fund 102. Any transfers between this managerial fund and fund 101 were eliminated for reporting purposes.

Capital Projects Funds (300-399)

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. For 2013 these fund include 304, 310, 311 and 312.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. For the 2013 roll-up fund 401 includes 401, and managerial funds 402, 403, 410, 412 and 413. Any transfers between these managerial funds and fund 401 were eliminated for reporting purposes.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account assets that Town of Garfield holds for others in an agency capacity. In the Town of Garfield's case, this fund holds utility customer deposits to be returned if one year's utility payments are made in a timely fashion.

B. Basis of Accounting

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

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

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

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

C. Budgets

The Town of Garfield adopts annual appropriated budgets for the general fund, special revenue funds, enterprise funds, private purpose trust funds, and agency funds. These budgets are appropriated at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting, prior to any fund roll-up.

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

Fund/Department 2013 BUDGET	Final Appropriated	Actual Expenditures	Variance
001 Current Expense	\$ 190,780.00	\$ 182,855.75	\$ 7,924.25
*002 Current Expense Reserve	\$ 8,000.00	\$ 5,175.00	\$ 2,825.00
101 City Street Fund	\$ 69,550.00	\$ 66,178.69	\$ 3,371.31
*102 City Street Reserve	\$ 9,000.00	\$ -	\$ 9,000.00
304 Capital Facilities Improve	\$ 0.0	\$ -	\$ 0.0
310 Fire Equipment Reserve	\$ 20,000.00	\$ 15,031.50	\$ 4,968.50
311 Police Equipment Reserve	\$ 0.0	\$ -	\$ 0.0
312 Equipment Reserve	\$ 1,500.00	\$ -	\$ 1,500.00
401 Water Fund	\$ 391,825.00	\$ 395,708.92	\$ -3,883.92
*402 Water Loan	\$ 21,733.00	\$ 21,731.78	\$ 1.22
*403 Sewer Loan Redemption	\$ 51,198.00	\$ 51,197.14	\$.86
*410 Utilities Reserve	\$ 92,025.00	\$ 69,824.00	\$ 22,201.00
*412 Utilities Equipment Reserve	\$ 18,000.00	\$ 4,662.76	\$ 13,337.24
*413 Sewer Loan Reserve	\$ 0.0	\$ -	\$ 0.0
633 Water Deposits	\$ 925.00	\$ 724.08	\$ 200.92
TOTAL	\$ 874,536.00	\$ 813,089.62	\$ 61,446.38

The funds in the chart above that are marked by an * are managerial funds which have been rolled into their main funds as noted above under 1a.

Budgeted amounts are authorized to be transferred between any funds however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town of Garfield's legislative body. The 2013 Budget was adopted by Ordinance No. 428N and subsequently amended by Ordinance No. 431N, Ordinance 435N, and Ordinance No. 443N thereby revising the Current Expense Fund, Current Expense Reserve Fund, Street Fund, Fire Capital Projects Fund, Water Fund, Utilities Reserve Fund, and Utilities Equipment Reserve Fund, set forth in the 2013 Annual Budget for the Town of Garfield.

D. Cash

It is the Town of Garfield's policy to invest temporary cash surpluses. The town's checking account is a Public Funds NOW account, with temporary cash surpluses in a 15-month CD. The funds in these two accounts are included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these accounts is prorated to the various funds.

E. Deposits

The Town of Garfield deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 20 years, as adopted by the Town Council on May 8, 2013, by Resolution 2013-10. The capital assets of the Town of Garfield are recorded as expenditures when purchased. Capital assets are long-lived assets of the Town of Garfield and are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 240 hours for all categories and is payable upon separation or retirement.

Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

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

J. Other Financing Sources or Uses

The Town of Garfield's "Other Financing Sources or Uses" consist of "Interest and Other Debt Service Costs", "Capital Expenditures" and "Operating Transfers" which are transfers to support the operations of other funds, and intergovernmental payments to the City of Palouse for contracted law enforcement services.

K. Risk Management

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

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverage is on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance,

and equipment breakdown insurance coverage. Equipment breakdown is included with the property reinsurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

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

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

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

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

L. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Garfield Town Council. When expenditures that meet restrictions are incurred, the Town of Garfield intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash consist of:

Fund 002 Current Expense Reserve, reserved for emergency money for fund 001 and is internally restricted. Reserved Fund Balance is \$49,532.33. Ordinance 337N.

Fund 101 City Street Fund, reserved for street projects only and is internally restricted. Reserve Fund Balance is 41,703.34.

Fund 102 City Street Reserve Fund, reserved for major street projects and is internally restricted. Reserved Fund Balance is \$33,251.13.

Fund 304 Capital Facilities Project Fund, reserved for major capital projects that are listed on the annual capital facilities plan enacted by resolution and they are internally restricted. Reserve Fund Balance is \$29,023.31.

Fund 310 Fire Capital Projects Fund, funds are reserved for the purchase of a fire truck and are internally restricted. Reserve Fund Balance is \$17,123.00. Ordinance 230N.

Fund 311 Police Capital Projects Fund, funds are reserved for the purchase of a police car and are internally restricted. Reserve Fund Balance is \$19,567.85. Resolution 4-99 states the cost of any equipment purchased by the town for police or public safety purposes may be paid all or in part from this fund. Resolution 4-99.

Fund 312 Equipment Capital Fund, funds are reserved for the purchase of major pieces of equipment for the town and are internally restricted. Reserve Fund Balance is \$37,551.03. Ordinance 229N.

Fund 402 Water Loan, funds are reserved for the final water loan payment and are externally restricted by the Dept. of Commerce. Reserve Fund Balance is \$ 5,843.02. Ordinance 298N.

Fund 410 Utilities Reserve, funds are reserved for major utility infrastructure projects and are internally restricted. Reserve Fund Balance is \$101,483.34. Ordinance 365N.

Fund 412 Utilities Equipment Reserve, funds are restricted for major purchase of equipment that would affect the water, sewer or garbage funds and are internally restricted. Reserve Fund Balance is \$70,538.04. Ordinance 297N and 365N.

Fund 413 Sewer Loan Redemption, funds are reserved for the final payment of the sewer loan and are externally restricted by the Dept. of Ecology. Reserve Fund Balance is \$ 56,892.78. Ordinance 232N.

Fund 633 Utility Deposits Fund, funds are reserved to refund utility deposits made on accounts after 12 months of consecutive on time payments. Internally Restricted. Fund Reserve Balance is \$8,063.95.

The town has separate reserve funds that were rolled up into their main funds for the 2013 Annual Reporting period. See Note 1a. Based upon Town of Garfield ordinances and/or resolutions, legal requirements by lending agencies or by nature of the revenue source, year-end reserved fund balances were recognized. Garfield's Town Council is the highest level of decision making authority that is responsible for establishing, modifying or rescinding a fund balance and it must be done by resolution.

NOTE 2 – INVESTMENTS

The Town's investments are insured, registered or held by the Town or its agent in the Town's name. Investments are presented at fair market value. Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>Town of Garfield's Own Investments</u>	Investments held by Town of Garfield as an agent for other local Governments, individuals Or private organizations	<u>Total</u>
Certificate of Deposit	<u>\$474,878.25</u>		<u>\$474,878.25</u>
TOTAL	\$474,878.25	\$0.00	\$474,878.25

NOTE 3 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month and/or mid-month.

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

The Town's regular levy for the year 2013 was \$2.80287 per \$1,000 on an assessed valuation of \$21,677,755 for a total regular levy of \$60,764.81. The Town's special levy to finance street maintenance and repair and street improvements for the year 2013 was \$2.649353 per \$1,000 on an assessed valuation of \$21,514,695 for a total special levy of \$57,004.59.

NOTE 3 – INTERFUND LOANS

The Town had no interfund loans in 2013.

NOTE 4 – DEBT SERVICE REQUIREMENTS

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

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

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2014	\$ -	\$ 72,494.28		\$ 72,494.28
2015	\$ -	\$ 72,059.66		\$ 72,059.66
2016	\$ -	\$ 71,625.01		\$ 71,625.01
2017	\$ -	\$ 71,190.38		\$ 71,190.38
2018		\$ 70,755.74		\$ 70,755.74
2019-2022	\$ -	\$ 253,078.06		\$ 253,078.06
Totals	\$ -	\$ 611,203.13		\$ 611,203.13

NOTE 5 – PENSION PLANS

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

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

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

NOTE 6 – OTHER DISCLOSURES

- A. The Mayor and Town Council Members voluntarily waived their salary for the year 2013.
- B. On January 15, 2010, the Office of Financial Management (OFM) issued a cease and desist order against the Cities Insurance Association of Washington (CIAW). This order was issued based upon a projected funding shortfall for potential unpaid claims liabilities for the fiscal years 2002-2006. On February 25, 2010, the CIAW submitted a plan to OFM to address the concerns raised in the cease and desist order. Included in the plan was a reassessment of \$986,214 to be charged back to all participating cities during the years in question. Each city will have 5 years to repay their proportionate share of the reassessment. October 28, 2010, the town was notified its annual assessment for 5 years would be \$1,004.28 which is expensed to insurance annually and is not considered as having a material impact on the financial statements.
- C. PDA Disclosure. By way of Ordinance # 313N March 2005, the Town of Garfield formed the Public Development Association. The appointments to that board are by City Council action.
- D. Budget overage Emergency Declaration at the WWTP. In November 2013 there was a major failure at the Treatment Plant which required immediate repair, causing unexpected year end expenditures, resulting in a 1% (\$3,883.92) overage from the appropriated budget.

Town of Garfield
Schedule of Liabilities
For the Year Ended December 31, 2015

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2015	11,958	7,988	-	19,946
263.82	Dept. Of Ecology	4/1/2022	361,887	-	45,940	315,947
263.82	Dept. Of Commerce	10/1/2022	139,084	-	17,385	121,699
264.30	PERS Pension Liability		-	108,525	-	108,525
Total Revenue and Other (non G.O.) Debt/Liabilities:			512,929	116,513	63,325	566,117
Total Liabilities:			512,929	116,513	63,325	566,117

Town of Garfield
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
259.11	Compensated Absences	12/31/2014	1,282	2,662	-	3,944
	Total General Obligation Debt/Liabilities:		1,282	2,662	-	3,944
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Dept of Ecology	4/1/2022	407,146	-	45,259	361,887
263.82	Dept. of Commerce	10/1/2022	156,469	-	17,385	139,084
259.12	Compensated Absences	12/31/2014	2,476	5,538	-	8,014
	Total Revenue and Other (non G.O.) Debt/Liabilities:		566,091	5,538	62,644	508,985
	Total Liabilities:		567,373	8,200	62,644	512,929

Town of Garfield
Schedule of Liabilities
For the Year Ended December 31, 2013

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
259.11	Compensated Absences	12/31/2013	2,064	-	781	1,282
	Total General Obligation Debt/Liabilities:		2,064	-	781	1,282
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	DOE	4/1/2022	451,734	-	44,588	407,146
263.82	Dept. of Commerce	10/1/2022	173,854	-	17,385	156,469
259.12	Compensated Absences	12/31/2013	3,323	-	847	2,476
	Total Revenue and Other (non G.O.) Debt/Liabilities:		628,911	-	62,820	566,091
	Total Liabilities:		630,975	-	63,602	567,373

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov