



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

City of Sequim

Clallam County

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

Published December 22, 2016

Report No. 1018168





Washington State Auditor's Office

December 22, 2016

Mayor and City Council
City of Sequim
Sequim, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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

**City of Sequim
Clallam County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Sequim
Sequim, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Sequim, Clallam 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 financial statements, and have issued our report thereon dated December 14, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

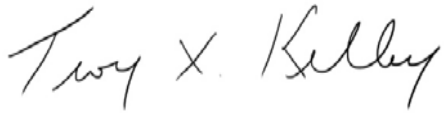
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

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

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

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

December 14, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sequim Clallam County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Sequim
Sequim, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sequim, Clallam County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

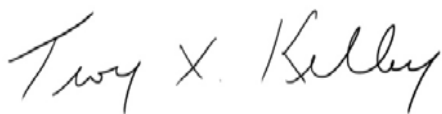
Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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

December 14, 2016

FINANCIAL SECTION

**City of Sequim
Clallam County
January 1, 2015 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015

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

		Total for All Funds (Memo Only)	001 General Fund	111 Street Restricted
Beginning Cash and Investments				
30810	Reserved	8,770,552	-	628,892
30880	Unreserved	11,547,158	2,513,976	74,191
388 & 588	Prior Period Adjustments, Net	(80)	52	-
Operating Revenues				
310	Taxes	6,370,239	5,457,944	-
320	Licenses and Permits	264,296	264,296	-
330	Intergovernmental Revenues	662,579	514,418	63,149
340	Charges for Goods and Services	8,584,649	2,079,161	693,812
350	Fines and Penalties	68,424	68,424	-
360	Miscellaneous Revenues	373,408	125,651	7,659
Total Operating Revenues:		16,323,595	8,509,893	764,620
Operating Expenditures				
510	General Government	2,982,142	2,936,639	-
520	Public Safety	3,285,928	3,162,015	-
530	Utilities	5,077,171	887,101	-
540	Transportation	927,670	749,061	178,609
550	Natural and Economic Environment	411,335	215,572	-
560	Social Services	75,510	75,510	-
570	Culture and Recreation	379,103	301,226	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		13,138,859	8,327,124	178,609
Net Operating Increase (Decrease):		3,184,736	182,770	586,011
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	2,271,586	23,954	-
391-393	Debt Proceeds	14,443	-	-
397	Transfers-In	8,639,817	343,000	256,035
Total Nonoperating Revenues:		10,925,845	366,954	256,035
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	17,412	10,553	-
591-593	Debt Service	1,597,622	-	-
594-595	Capital Expenditures	8,596,128	317,416	794,838
597	Transfers-Out	8,638,395	398,526	-
Total Nonoperating Expenditures:		18,849,558	726,495	794,838
Net Increase (Decrease) in Cash and Investments:		(4,738,975)	(176,771)	47,208
Ending Cash and Investments				
5081000	Reserved	2,186,084	-	720,824
5088000	Unreserved	13,392,569	2,337,257	29,467
Total Ending Cash and Investments		15,578,653	2,337,257	750,291

The accompanying notes are an integral part of this statement.

115 Lodging Tax Hotel/Motel	120 Police Restricted - NonRoutine	121 Police Asset Seizure	140 Parks Restricted	150 Real Estate Excise Tax	160 Gifting & Donations
264,071	60,132	-	73,434	196,665	1,448
-	5,395	27,974	77,523	-	-
-	-	-	-	-	-
278,935	251,129	-	-	145,499	-
-	-	-	-	-	-
-	85,011	-	-	-	-
2,118	10,131	-	126,421	-	-
-	-	-	-	-	-
8,069	7,397	268	39,772	2,289	3,339
289,122	353,669	268	166,193	147,788	3,339
-	-	-	-	-	-
-	123,914	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
195,523	-	-	-	-	-
-	-	-	-	-	-
21,986	-	-	52,121	-	3,770
-	-	-	-	-	-
217,509	123,914	-	52,121	-	3,770
71,613	229,755	268	114,072	147,788	(431)
7,397	-	-	-	-	-
-	-	-	-	-	-
-	17,926	1,422	15,000	-	-
7,397	17,926	1,422	15,000	-	-
6,860	-	-	-	-	-
-	-	-	82,369	-	-
-	-	-	24,548	-	-
7,220	251,576	-	-	215,000	-
14,080	251,576	-	106,917	215,000	-
64,930	(3,895)	1,690	22,155	(67,212)	(431)
329,001	56,237	-	138,868	129,453	1,017
-	5,395	29,664	34,245	-	-
329,001	61,632	29,664	173,112	129,453	1,017

The accompanying notes are an integral part of this statement.

206 Debt Service Fund - City Hall	300 Civic Center Bond Proceeds	306 Capital Facilities Fund	350 Real Estate Excise Tax 1	401 Water	402 Sewer
-	3,362,398	48,124	182,163	1,779,406	2,136,276
-	-	-	-	3,734,224	5,074,190
-	-	-	-	-	(132)
-	-	-	236,731	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	128	-	1,910,506	3,762,374
-	-	-	-	-	-
(18,274)	(23,181)	98,321	2,117	46,827	72,794
(18,274)	(23,181)	98,449	238,848	1,957,333	3,835,168
847	-	37,925	-	-	-
-	-	-	-	-	-
-	-	-	-	1,422,164	2,767,907
-	-	-	-	-	-
-	-	-	-	-	240
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
847	-	37,925	-	1,422,164	2,768,147
(19,121)	(23,181)	60,524	238,848	535,169	1,067,022
-	-	-	-	386,729	1,853,505
-	-	-	-	-	14,443
679,000	-	7,054,234	-	6,600	260,000
679,000	-	7,054,234	-	393,329	2,127,947
-	-	-	-	-	-
658,990	-	-	-	113,184	743,079
-	-	6,891,818	-	204,783	362,724
-	3,339,216	-	235,000	2,219,524	1,965,733
658,990	3,339,216	6,891,818	235,000	2,537,492	3,071,536
889	(3,362,397)	222,940	3,848	(1,608,993)	123,434
-	-	-	186,011	114,950	471,819
890	-	271,064	-	3,789,687	6,861,947
890	-	271,064	186,011	3,904,637	7,333,766

The accompanying notes are an integral part of this statement.

500		
Unemployment	701 Haller Park	
Compensation	Fund	
-	37,544	
39,685	-	
-	-	
-	-	
-	-	
-	-	
-	-	
-	360	
-	360	
6,731	-	
-	-	
-	-	
-	-	
-	-	
-	-	
-	-	
-	-	
6,731	-	
(6,731)	360	
-	-	
-	-	
6,600	-	
6,600	-	
-	-	
-	-	
-	-	
6,600	-	
6,600	-	
(6,731)	360	
-	37,904	
32,954	-	
32,954	37,904	

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	611 Flex Benefits - EE Contributions	621 Police Expendable Trust	631 Construction Deposits
308	Beginning Cash and Investments	646,766	-	485	36,851
388 & 588	Prior Period Adjustments, Net	494	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	745,382	11,628	1,580	1,448
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	818,259	11,173	2,065	38,300
Net Increase (Decrease) in Cash and Investments:		(72,877)	455	(485)	(36,852)
508	Ending Cash and Investments	574,381	455	-	-

		635 Intergovernmental Agency Fund	645 prior period adj	690 TBD Entity
308	Beginning Cash and Investments	2,732	120,445	486,251
388 & 588	Prior Period Adjustments, Net	-	494	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	68,567	57,955	604,203
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	71,295	42,416	653,011
Net Increase (Decrease) in Cash and Investments:		(2,728)	15,539	(48,808)
508	Ending Cash and Investments	5	136,478	437,444

The accompanying notes are an integral part of this statement.

CITY OF SEQUIM
NOTES TO FINANCIAL STATEMENTS
2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Sequim was incorporated in 1913 and operates under the laws of the State of Washington applicable to a Non-charter Code City with a Council-Manager form of government. The City is a general purpose government and provides public safety, water supply, water treatment and distribution, sewage collection and tertiary class-A treatment/ reclamation, street maintenance, comprehensive planning/zoning, building permitting/inspection, parks and administrative services.

The City 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 statement.
- 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.

611. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Debt Service Funds

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

Capital Projects Funds

These funds account for financial resources, which are designated for the acquisition or construction of general government capital improvements.

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods and services to other departments or funds of the government on a cost reimbursement basis

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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 budget appropriations as required by state law.

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

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

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

C. Budgets

The City adopts annual appropriated budgets for all funds at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these

funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures (excluding eliminating entries prepared for reporting purposes on statements C-4 & C-5 and schedule 01) for the legally adopted budgets were as follow:

Fund	Annual Appropriation	Actual Expenditures	Variance
001 General Fund (includes 101 Streets, 107 Storm Water, 117 Project Storm Water and 164 Equipment Reserve)	10,136,641	9,769,928	366,713
111 Streets Restricted	1,677,421	984,956	692,465
115 Lodging Tax	306,426	231,589	74,837
120 Criminal Justice	405,717	375,490	30,227
121 Police Asset Seizure	20,000	-	20,000
140 Parks Restricted	280,869	241,537	39,332
150/350 Real Estate Excise Tax	545,000	450,000	95,000
160 Gifting and Donations	10,500	3,770	6,730
206/300 LTGO Debt Service and Bond Proceeds	4,012,990	3,999,053	13,937
306 Capital Facilities	7,378,078	6,929,743	448,335
401 Water	5,991,274	4,322,656	1,668,618
402 Sewer	8,512,316	6,371,013	2,141,303
500 Unemployment	16,600	13,331	3,269
611 Flexible Spending Accounts	11,350	11,173	177
621 Police Expendable Trust	20,000	2,065	17,935
631 Construction Deposits	325,000	38,300	286,700
635 Agency	178,080	71,295	106,785
645 Utility Deposits	100,000	42,416	57,584
Sequim TBD Component Unit	844,259	653,011	191,248
Totals	\$40,772,521	\$34,511,326	\$6,261,195

The general fund (001), Street-Unrestricted (101-u), Storm Water Operations (107), Project Storm Water (117) and the Equipment Fund (164) budgets were approved as separate funds but are shown consolidated to be consistent with other schedules. The water and sewer unrestricted and restricted fund budgets were also approved separately but are “rolled-up” to their respective enterprise fund to be consistent with other schedules, as well. REET1 activities are classified as Capital Fund activities in the financial statements although they were combined in Fund 150 REET for budget purposes. Lastly, for reporting purposes to the State Auditors Office, the 300 LTGO Bond Proceeds fund shown above is separated into two funds (206 LTGO Debt Service and 300 LTGO Bond proceeds) on the statement of fund resources and uses arising from cash transactions.

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

D. Cash

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

E. Deposits

The City's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments

See Note 3 and Schedule 11.

G. Capital Assets

Capital assets are long lived items that cost over \$7,500, and are recorded as expenditures when purchased.

H. Compensated Absences

Vacation time accumulates depending on time worked and seniority. Accruals vary depending upon whether or not the employee is represented by a bargaining unit. Employees represented by a union will accrue vacation at the following rates:

Years of Service	Accrual
Year 1	1 week
Year 2-4	2 weeks
Year 5-9	3 weeks
Year 10-15	4 weeks
Year 16+	5 weeks

Effective July 1, 2012, non-represented employees accrue vacation at the following rates:

	Years of Service	Admin Support (non-exempt)	Manager 1-3 (exempt)	Director (exempt)
Level 1	Year 1	2 weeks	2.5 weeks	4 weeks
Level 2	Year 2-5	2 weeks	3.5 weeks	4 weeks
Level 3	Year 6-10	3 weeks	4 weeks	5 weeks
Level 4	Year 11+	4 weeks	5 weeks	6 weeks

The City payroll system utilizes pooled time off (PTO) and it accrues for every employee (except seasonal employees). For non-exempt positions, this consists of accrued vacation, annual holiday floater, comp-time and/or overtime earned. For exempt positions, it consists of accrued vacation and an annual holiday floater. Salaried employees are not eligible to earn comp-time.

Non-represented employees may accrue vacation up to a maximum of 1.5 times their annual accrual amount shown above. Any vacation over the maximum on January 1 each year will be lost unless the City Manager elects to buy back the vacation leave time. For union employees the maximum total accrued hours in the PTO bank is three hundred, sixty (360) hours. Upon separation or retirement, employees do receive payment for unused vacation at a rate of 100%.

A full time employee typically accrues sick time at a rate of 8 hours per month. Represented employees may accrue sick leave up to 1,440 hours. Upon separation or retirement these

employees receive payment for unused sick leave at a rate of 50%. Non-represented employees may accrue up to any amount. Upon separation, non-represented employees hired before July 1, 2012 will be paid 50% of their accrued sick leave balance on June 30, 2012 at the employees June 30th hourly wage. Accrued sick leave is not eligible for payout at employment separation for non-represented employees hired on or after July 2012.

Compensated absences as of December 31, 2015 totaled \$741,056, which increased from the prior year by \$21,150, as more vacation and sick leave was accrued than used.

I. Debt Service Requirements See Note 6 and Schedule 9

J. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of interfund loans, and proceeds from the sale of assets, capital contributions (General Facility Charges), insurance recoveries, and pass through money.

K. Risk Management

The City of Sequim 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 Fund Balance

Cash basis entities are required to classify fund balances as either reserved or unreserved. Reserved balances are the amounts of cash and investments with specific purpose or use restrictions imposed on them by external parties (e.g., enabling legislation, grantors, creditors, etc.) or from formal internal commitments. Internal commitments are specific constraints imposed by the highest level of authority within the government (city council) through the most binding formal action (ordinance, resolution) that requires a similar formal action on the same level to remove them.

The City's ending fund balance of \$16,153,034 consists of \$2,760,465 in reserved and \$13,392,569 in unreserved funds. Our restricted fund balances include: Streets Restricted (111) where funds are committed through impact fee and settlement agreements or dedicated to SEPA mitigation for very specific transportation improvements, Hotel/Motel (115) where tax revenue is restricted by legislation to tourism activities, Police Restricted (120) where donation money is committed by policy to very specific programs like K-9 replacement, project lifesaver and car seats, Gifts and Donations (160) for the same reason, REET 1 and REET 2 (150/350) by legislation to specific capital projects identified in the City's Comprehensive plan, Parks Restricted (140) by impact fees and REET balances, and Water & Sewer Debt Service (401/402) by State Revolving Fund loan agreements and revenue bond covenants that stipulate reserve requirements equal to the amount of the annual payment. Additionally, the City reports reserved fund balances totaling \$574,381 in its Fiduciary Funds.

See below for details:

Streets Restricted (111)	<u>Reserved \$</u>
<i>SEPA Mitigation and Latecomer Funds</i>	\$142,676
<i>Impact Fees</i>	394,442
<i>Settlements</i>	<u>183,706</u>
	720,824
Hotel/Motel Lodging Tax (115)	329,001
Police Restricted (120)	
<i>Public Safety Tax</i>	1,130
<i>Car Seats Donations</i>	1,746
<i>K-9 Program Donations</i>	20,784
<i>Project Lifesaver Donations</i>	39,126
<i>Chaplain Donations</i>	260
<i>SRO Grant</i>	<u>(6,809)</u>
	56,237
Parks Restricted (140)	
Impact Fees	85,815
REET	<u>53,053</u>
	138,868
REET 1 (150) and REET 2 (350)	315,464
Gifts and Donations (160)	1,017
Water (401) Revenue Bond required reserve	114,950
Sewer (402) debt service for SRF Loan, and	
Revenue Bond required reserve	471,819
Haller Park Trust Fund (701)	<u>37,904</u>
	2,186,084

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the City of Sequim.

NOTE 3 – CASH & INVESTMENTS

The City maintains two investment accounts with US Bank. These investments are comprised primarily of US government and agency securities, and municipal bonds. All of these investments are uninsured but held in Book Entry Form at the Cleveland Federal Reserve in the name of US bank in their fiduciary capacity for the benefit of the City and therefore not part of the bank's balance sheet, totally protected from bank creditors.

In 2013, the City received \$10,680,000 (par value) from a long-term general obligation issued to assist in financing a new Civic Center. All of these funds were receipted into the Capital Fund (300) and deposited in their own investment account, managed by SNW, LLC. As of December 31, 2015, all of these bond proceeds have been spent and the related investment account closed.

Investments are presented at their tax cost basis, as of December 31, 2015. Cash and investments by type at December 31, 2015 are as follows, including the component unit:

Type of Investment	City's Own Investments	Trust and Agency Funds	Total
Cash	1,818,269	569,684	2,387,953
Other Bank Held	129,466	44	129,510
L.G.I.P	2,091,430	714	2,092,144
US Government Securities	10,161,575	3,469	10,165,044
Municipal Securities	1,377,916	470	1,378,386
Total	15,578,656	574,381	16,153,037

NOTE 4 – 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 revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The city's regular levy for the year 2015 was \$1.662327 per \$1,000 based on a 2014 assessed valuation of \$807,498,734 for a total regular levy of \$1,342,327. (In 2015, the City Council approved the allowable 1% increase in property taxes for 2016.)

NOTE 5 – INTER-FUND LOANS AND ADVANCES

There were no inter-fund loans in 2015.

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes debt transactions for the year ending December 31, 2015. The debt service requirements for general obligation bonds, revenue bonds and other liabilities, including interest, are as follows:

Period	Principal	Interest	Total
2016	932,915	637,350	1,570,265
2017	893,283	623,751	1,517,035
2018	775,952	610,551	1,386,503
2019	655,291	593,965	1,249,256
2020	676,267	576,954	1,253,221
2021-2025	3,655,504	2,600,935	6,256,439
2026-2030	4,041,307	2,006,210	6,047,517
2031-2035	2,820,000	1,369,863	4,189,863
2036-2040	2,495,000	788,897	3,283,897
2041-2045	1,795,000	173,138	1,968,138
Total	18,740,518	9,981,613	28,722,132

*As of December 31, 2015 there was \$741,056 in outstanding compensated absences that represent an unfunded liability with no scheduled payments, as this is based on attrition. Therefore, General Obligation debt payments above do not include such future obligations for compensated absences.

** As of December 31, 2015 the city has Revenue Debt of \$3,025,000 shared by both the water and sewer utilities to fund their portion of the new civic center.

***As of December 31, 2015 there was \$84,510 due to the Public Works Trust Fund for a reclaimed water facility project. The terms of this loan are only finalized when the project is completed, however a preliminary schedule of payment based upon the current balance is included.

NOTE 7 – PENSION PLANS

Substantially all of the City’s full-time and qualifying part-time employees participate in one of the 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 Systems (PERS) and Law Enforcement Officers’ and Fire Fighter’s Retirement System (LEOFF).

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 statement and required supplementary information for each plan. The DRS CAFR may be obtaining by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Also, 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 City’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS1	.005093%	266,411
PERS 1 - UAAL	.028207%	1,475,488
PERS 2/3	.036431%	1,301,700
LEOFF 1	.001566%	(18,874)
LEOFF 2	.049284%	(506,541)

The City participates in LEOFF Plan 1. The LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

The City also participates in LEOFF Plan 2. 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.

During 2007, the City employees in the Non-uniformed bargaining unit chose to participate in the Western Conference of Teamsters Pension Plan. This plan is fully funded by employee contributions. More information is available at the Plan's web site at www.wctpension.org.

NOTE 8 – Inter-local Agreements

The City has several inter-local agreements with nearby cities, Clallam County, the local fire district, the local school district, Clallam County Transit, and other government agencies.

During 2015, the following new inter-local agreements were signed or in effect:

Parties	Services
Association of Washington Cities	Risk Management and Employee Benefit Trust Health Care Program
City of Forks	Jail Services
City of Port Angeles	Police Department – Mutual Assist Agreement
City of Port Angeles	Purchasing Interlocal Agreement
City of Port Angeles	Solid Waste Disposal
City of Port Angeles	City Attorney Services
City of Port Angeles, Olympic Medical Center, Clallam Transit and Clallam County	Resource Conservation Management
Clallam County	Management Control Agreement – IT Services
Clallam County	Surface Water Flow Monitoring
Clallam County	Criminal Justice Services
Clallam County	Economic Development Council
Clallam County	SERP and Design Standards in UGA
Clallam County	Elections – Ballot Collection and Voter Registration
Clallam County	Interlocal Regarding Comp Solid Waste Management Plan
Clallam County	STP Funds Allocation
Clallam County	Public Utilities Franchise re lines
Clallam County	Septage Treatment
Clallam County	Clean Water District MOA
Clallam County	Prisoner Confinement Services
Clallam County	Sex Offender Address and Residency Verification Program

Clallam County	Electronic Home Monitoring Services
Clallam County	Road Work Agreement
Clallam County	Use of Mower
Clallam County	Operation Stonegarden Project
Clallam County	OPSCAN Network Services
Clallam County	Carlsborg Wastewater Disposal
Clallam County and Jefferson County	Multi-Agency Investigative Response Team
Clallam Conservation District	Low Impact Development Project
Clallam County, City of Forks and Port Angeles	Multi-Agency Reciprocal Maintenance Agreement, Distribution of SHB 2060 Funds
Clallam County, et al	Kenmore Air Grant
Clallam County PUD #1	Water Service Area Agreement – Highlands, Street light Agreement, Power Line Extension Agreement, Temporary Wholesale Water Supply Agreement, Conservation Agreement
Clallam County Sheriff	Use of Sequim Police Department and Training Lab Use
Clallam County Sheriff and Fire District #3	Fire Investigation Task Force
Clallam Transit	Commercial Lease Agreement, after Maintenance and Install Bus Stops, Sale of Bus Passes, Parking easement
Clallam/Jefferson Public Defenders	Indigent Case Defense
FCC	Radio Station Authorization
Fire District #3	Fire Inspections, Fire and Emergency Medical Protection, Burning Permit Process, Confined Space Equipment
Houston-Galveston Area Council	Cooperative Purchasing Agreement
Jamestown S'Klallam Tribe	Letter of Agreement re Roadway System
Jamestown Excavation	Installation of water meters
King County	Cooperative Purchasing Agreement
Olympic Peninsula Narcotics Enforcement Team (OPNET)	Distribution Agreement, Criminal Investigations and Prosecutions
PENCOM – City of Port Angeles	Dispatch and Computer Records Services
Port Angeles School District #1121	Remodel of Guy Cole Center
Sequim School District	PRoTECT Coalition, Green house Lease, School Resource Officer
Sequim Transportation Benefit District	Purchase/Fund Transportation Improvements
Washington Public Works Board	Construction Loan Agreement – Aerobic Digesters
Washington State Department of Commerce	Energy and Water Efficiency Program, Growth Management Act Update Grant
Washington State Department of Ecology	Aerobic Digester Aeration and Headworks Improvements Grant, Water Reclamation & Distribution Expansion Grant, Stormwater Stewardship Grant
Washington State Department of Enterprise Services	State Purchasing Contract

Washington State Department of Health	Feasibility Study Grant – Deytona Water System
Washington State Department of Licensing	Master Business Licensing Services, Interagency Disclosure Driver and Plate Search
Washington State Department of Revenue	Sales and Use Tax Agreement
Washington State Department of Transportation	Adopt-A-Hwy, Maint and Ops of Signal Systems, 5 th & Hendrickson Signal Maintenance, Overhead Reciprocating Agreement, LOU for Local Agency Guidelines, Trail Lease – ODT, STP Funds W Sequim Bay Road, W Fir Street Rehab Grant, Turnback Agreement, Non-Discrimination Agreement, Guard Rail Repair
Washington State Transportation Improvement Board	Expanded Preservation Project, Arterial Preservation Project
Washington State Department of Natural Resources	Aquatic Lands Outfall Easement and Insurance
Washington State General Services Administration	Intergovernmental Purchasing Agreement
Washington State Patrol	Live-Scan Fingerprint ID System, 24 Hour Hit Confirmation, Use of ASPEN Software, Academy Facility Use, SECTOR Service Level Agreement
Washington State Department of Corrections	Shared Office Space

Details of these and all prior active agreements can be found on the City's web-site, www.sequimwa.gov.

NOTE 9 - POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFIT

The City of Sequim provides post retirement health care benefits and prescriptions payments in accordance with LEOFF I Rules for one retired police officer. This individual is currently employed full time by another agency and receives health and prescription benefits with his position.

The City pays a Medicare Supplement insurance premium and a Long Term Care insurance premium to limit the exposure of medical costs. The City is responsible for co-payments and other out of pocket expenses approved by the Clallam County Disability Board.

Employer contributions are financed on a pay-as-you go basis. Expenditures for post employment health care benefits are recognized as retirees report claims and do not include a provision for estimated claims incurred but not yet reported to the city.

During the year, expenditures of \$7,456 were paid out for post retirement health care.

NOTE 10 - OTHER DISCLOSURES

A. Sequim Transportation Benefit District

The Sequim City Council created the Sequim Transportation Benefit District (reported as a blended component unit) by Ordinance as a quasi-municipal corporation, an independent taxing district, on July 14, 2008. The District was created under the authority provided by RCW 35.21. The District is a governmental special- purpose entity governed by a Board of Directors, created for the sole purpose of acquiring, constructing, improving, providing and funding transportation improvements within the District. The seven member board is composed of the seven members of the Sequim City Council.

Ballot measures were proposed and approved in November 2009 to authorize a sales and use tax of two-tenth's of one percent (0.2%) to be collected within the TBD, effective April 1, 2010. Collection of these revenues directly from the State started in 2010. An inter-local agreement obligates the TBD to transfer sales and use tax to the City to offset the City's expenses in performing capital projects and maintaining City streets. In 2015, the TBD transferred \$653,011 to the City for these purposes.

The boundaries of the District are identical with the City of Sequim limits. The District operates under the laws of the state of Washington applicable to a Transportation Benefit District. The TBD uses cash basis accounting which is a departure from generally accepted accounting principles (GAAP). More information about the Sequim TBD, including complete financial statements, can be obtained off of the City web-site at www.sequimwa.gov.

The district was added to the financial statements in 2012 as a blended component unit.

Capital Assets

The Sequim TBD has no capital assets. According to the Inter-local agreement between the Sequim TBD and the City, streets and related transportation infrastructure preserved and maintained with District funds are and shall remain the property of the City of Sequim. Any expenditure on a long-lived item that costs over \$7,500 becomes an asset of the City of Sequim. These items are recorded as expenditures when purchased.

B. Health & Welfare

The City of Sequim 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, 2015, 261 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 Group Health, 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 two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

C. Other Disclosures

New Funds

The following new fund was approved by ordinance by the City Council to account for new or changing activities of the City:

Fund	Description
611 Flexible Spending Account	To account for the employee flexible spending account program.

Boards and Committees:

The City Manager and the Council have established numerous Citizens Boards and Committees to obtain public involvement. The council committees include the Civil Service Commission, the Planning Commission, the Board of Adjustment, the Citizens Park Advisory Board and the Lodging Tax Advisory Committee where membership can change annually. Other committees and task forces are created on a short-term and long-term basis to address current local issues. Members of Council and/or City Management staff have been attending the various meetings.

Public Safety Tax, effective January 1, 2013:

In August 2012, the citizens of Sequim voted to authorize a .1% Public Safety Tax, effective January 1, 2013. Receipts for this new tax began in March 2013. The City completed construction of a new Civic Center in 2015 which houses the Police Station and City Hall. This tax provides funding for the debt service related to the new Police Station.

Prior Period Adjustments

Minor prior period adjustments totaling less than \$80 were the result of voiding checks in 2015 that were originally issued in 2014.

Self-Insured for Unemployment Benefits

The City has elected to be self-insured for unemployment benefits. A reserve (fund 500) has been established to cover potential future liability.

Additional Water and Sewer Revenue Bond Disclosures:

Parity bond debt service coverage ratio for 2014 & 2015:

		2014			2015		
		Water	Sewer	Total	Water	Sewer	Total
Operational Summary							
Total Operating Revenues		1,877,517	3,617,016	5,494,533	1,969,287	3,779,186	5,748,473
Total Operations and Maintenance	1	1,227,753	2,596,741	3,824,494	1,402,309	2,741,927	4,144,236
Net Revenues		649,763	1,020,275	1,670,039	566,978	1,037,259	1,604,237
Non-Operation Revenues							
Connection Charges and Interest		222,304	308,459	530,764	359,770	1,893,635	2,253,406
Available for Parity Bond Debt Service		872,068	1,328,734	2,200,802	926,749	2,930,894	3,857,643
Parity Bond Debt Service	2	115,000	115,000	230,000	115,000	115,000	230,000
Parity Bond Debt Service Coverage		7.58	11.55	9.57	8.06	25.49	16.77
Available for other purposes		757,068	1,213,734	1,970,802	811,749	2,815,894	3,627,643

1 – Excludes “Other Non-Operating Expenses” such as transfers

2 – Approximate based upon annual debt service over the life of revenue bond

Number of Utility Customers as of December 31, 2014 & 2015

Water

	2014 Customers	2015 Customers
Single Family Residential	1,860	1856
Multifamily Residential	49	49
Commercial	340	338
Hotel/Motel and RV	10	13
Public Authority	30	28
Irrigation	100	133
Total Retail Connections	2,389	2,417

Sewer

	2014 Customers	2015 Customers
Single Family Residential	2,230	2,226
Multifamily Residential	48	48
Commercial	326	335
Hotel/Motel and RV	11	12
Public Authority	26	26
Total Retail Connections	2,641	2,647

2015 Water Rates ⁽¹⁾

	Single-Family Residential		Multi-Family Residential		Commercial and Public Authority/Irrigation		Hotel/Motel and RV Park	
	Base	Consumption	Base	Consumption	Base ⁽²⁾	Consumption	Base ⁽³⁾	Consumption
2015	\$23.11	\$0.00803	\$22.15	\$0.00803	\$72.57	\$0.00768	\$21.73	\$0.00710

- (1) Rates shown are monthly rates. All consumption charges shown are per cubic foot (cf) of water consumed. Consumption charges shown apply only to the first 600 cf consumed per month. Usage exceeding 600 cf per month (and under 1,600 cf) is charged at \$0.02377/cf and usage exceeding 1,600 cf is charged at \$0.02971/cf. Minimum rates for water service to customers located outside the City limits are 50% higher than the specified class base rate and consumption fee charged per unit inside the City limits unless addressed under separate contract.
- (2) Base rates applicable to 2-inch meters. For 2015, base rates for other meter sizes were \$23.11 for ¾-inch meters, \$30.75 for 1-inch meters, \$49.71 for 1.5-inch meters and \$133.58 for 3-inch meters.
- (3) Hotel/motel rates apply per unit or pad. Hotel/motel rates are also applicable to transient RV sites with water hookups.

2015 Sewer Rates

	2015	
	Inside City Limits	Outside City Limits ⁽¹⁾
Single-Family Residential (connected to City water system) ⁽²⁾	\$59.11	\$118.22
Single-Family Residential (sewer only)	62.41	124.82
Multifamily Residential (per unit)	64.08	128.16
Commercial and Public Authority ⁽³⁾	62.32	124.64
Hotel/Motel and RV ⁽³⁾	62.32	124.64

- (1) Out-of-City charges are two times the in-City base rate and usage fee, unless addressed under contract.
- (2) Based on an average winter water usage of 600 cf. per month or less. For in-City customers and out-of-City customers with average winter water usage greater than 600 cf. per month, the base rate is \$68.78 and \$137.56, respectively.
- (3) Includes the first 600 cf of usage per month of usage per month. Each additional cf. is charged at \$0.06181/cf.

City of Sequim
Schedule of Liabilities
For the Year Ended December 31, 2015

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	City Hall/Police Station LTGO taxable	12/1/2017	680,000	-	225,000	455,000
251.11	City Hall/Police Station LTGO non-taxable	12/1/2043	10,000,000	-	-	10,000,000
263.61	Keeler Park Loan	12/1/2016	133,131	-	77,862	55,270
Total General Obligation Debt/Liabilities:			10,813,131	-	302,862	10,510,270
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		719,906	21,150	-	741,056
263.82	PWTF Aerobic Digester Loan	6/1/2027	70,067	14,444	-	84,511
263.82	SRF Reclaimed Water Facility	3/1/2018	955,590	-	273,026	682,564
263.82	SRF Reclaimed Water Facility (2009)	6/17/2030	4,697,353	-	259,152	4,438,201
252.11	City Hall Water Revenue Bond	12/1/2034	1,572,500	-	60,000	1,512,500
252.11	City Hall Sewer Revenue Bond	12/1/2034	1,572,500	-	60,000	1,512,500
264.30	PERS 1		-	1,741,899	-	1,741,899
264.30	PERS 2/3		-	1,015,326	-	1,015,326
264.30	PERS 2/3		-	286,374	-	286,374
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,587,916	3,079,193	652,177	12,014,931
Total Liabilities:			20,401,047	3,079,193	955,039	22,525,201

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