



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Granite Falls

Snohomish County

For the period January 1, 2014 through December 31, 2015

Published March 9, 2017

Report No. 1018555





**Office of the Washington State Auditor
Pat McCarthy**

March 9, 2017

Council
City of Granite Falls
Granite Falls, Washington

Report on Financial Statements

Please find attached our report on the City of Granite Falls' financial statements and compliance with requirements applicable to its passenger facility charge program.

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

Sincerely,

Pat McCarthy
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 Granite Falls
Snohomish County
January 1, 2014 through December 31, 2015**

Council
City of Granite Falls
Granite Falls, 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 Granite Falls, Snohomish County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 20, 2017.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

January 20, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Granite Falls Snohomish County January 1, 2014 through December 31, 2015

Council
City of Granite Falls
Granite Falls, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Granite Falls 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 Granite Falls, for the years ended December 31, 2015 and 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Granite Falls, as of December 31, 2015 and 2014, 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 January 20, 2017 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.



Pat McCarthy
State Auditor
Olympia, WA

January 20, 2017

FINANCIAL SECTION

**City of Granite Falls
Snohomish County
January 1, 2014 through December 31, 2015**

FINANCIAL STATEMENTS

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City of Granite Falls
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 Streets	303 Cif / Streets
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	4,349,192	495,146	165,208	411,117
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,634,940	1,448,547	61,653	-
320	Licenses and Permits	95,236	93,658	1,578	-
330	Intergovernmental Revenues	287,599	95,903	71,434	41,150
340	Charges for Goods and Services	1,830,553	8,449	-	71,848
350	Fines and Penalties	50,119	18,470	-	-
360	Miscellaneous Revenues	6,406	1,889	163	328
Total Operating Revenues:		3,904,853	1,666,917	134,828	113,326
Operating Expenditures					
510	General Government	410,441	410,441	-	-
520	Public Safety	644,389	644,389	-	-
530	Utilities	1,722,694	-	-	-
540	Transportation	179,518	-	164,287	14,073
550	Natural and Economic Environment	63,069	63,069	-	-
560	Social Services	1,530	1,530	-	-
570	Culture and Recreation	63,481	63,481	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		3,085,122	1,182,910	164,287	14,073
Net Operating Increase (Decrease):		819,731	484,007	(29,459)	99,253
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	200,883	33,546	1,221	-
391-393	Debt Proceeds	134,976	-	-	-
397	Transfers-In	22,056	-	-	-
Total Nonoperating Revenues:		357,916	33,546	1,221	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	188,763	188,763	-	-
591-593	Debt Service	80,789	706	-	-
594-595	Capital Expenditures	270,584	19,511	-	52,994
597	Transfers-Out	22,056	7,200	-	-
Total Nonoperating Expenditures:		562,192	216,179	-	52,994
Net Increase (Decrease) in Cash and Investments:		615,454	301,373	(28,238)	46,259
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	4,964,646	796,521	136,970	457,376
Total Ending Cash and Investments		4,964,646	796,521	136,970	457,376

The accompanying notes are an integral part of this statement.

304 Cif / Arterial/alternate Route	305 Capital Improvement	401 Water	403 Sewer	405 Storm Drainage	407 Solid Waste
-	-	-	-	-	-
16,474	290,695	1,775,271	902,079	213,606	79,595
-	-	-	-	-	-
-	124,740	-	-	-	-
-	-	-	-	-	-
-	-	-	-	79,111	-
47,899	-	639,385	927,615	135,357	-
-	-	24,600	6,332	717	-
23	263	2,735	753	191	60
47,922	125,003	666,721	934,700	215,376	60
-	-	-	-	-	-
-	-	-	-	-	-
-	-	657,830	925,258	139,347	258
1,158	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,158	-	657,830	925,258	139,347	258
46,764	125,003	8,891	9,442	76,029	(198)
-	-	160,120	(4)	6,000	-
-	-	-	134,976	-	-
-	6,000	-	14,856	-	1,200
-	6,000	160,120	149,829	6,000	1,200
-	-	-	-	-	-
-	-	-	80,084	-	-
40,000	73,612	40,958	18,808	24,702	-
-	-	-	14,856	-	-
40,000	73,612	40,958	113,748	24,702	-
6,764	57,391	128,053	45,522	57,327	1,002
-	-	-	-	-	-
23,238	348,087	1,903,324	947,602	270,932	80,597
23,238	348,087	1,903,324	947,602	270,932	80,597

The accompanying notes are an integral part of this statement.

City of Granite Falls
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 Streets	303 Cif / Streets
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	3,911,392	176,865	200,000	156,111
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,478,349	1,383,371	35,748	-
320	Licenses and Permits	94,276	93,696	580	-
330	Intergovernmental Revenues	717,120	88,537	69,824	478,424
340	Charges for Goods and Services	1,750,106	12,490	-	67,370
350	Fines and Penalties	59,923	20,441	-	-
360	Miscellaneous Revenues	13,324	8,571	101	183
Total Operating Revenues:		4,113,098	1,607,106	106,253	545,977
Operating Expenditures					
510	General Government	384,574	384,574	-	-
520	Public Safety	717,066	717,066	-	-
530	Utilities	1,538,725	-	-	-
540	Transportation	150,761	-	141,045	1,454
550	Natural and Economic Environment	68,750	68,750	-	-
560	Social Services	1,480	1,480	-	-
570	Culture and Recreation	53,225	53,225	-	-
Total Operating Expenditures:		2,914,582	1,225,096	141,045	1,454
Net Operating Increase (Decrease):		1,198,517	382,011	(34,792)	544,523
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	122,463	62,224	-	-
391-393	Debt Proceeds	638,679	-	-	-
397	Transfers-In	22,056	-	-	-
Total Nonoperating Revenues:		783,198	62,224	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	74,281	74,281	-	-
591-593	Debt Service	34,336	957	-	-
594-595	Capital Expenditures	1,413,242	43,515	-	289,517
597	Transfers-Out	22,056	7,200	-	-
Total Nonoperating Expenditures:		1,543,914	125,953	-	289,517
Net Increase (Decrease) in Cash and Investments:		437,800	318,282	(34,792)	255,006
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	4,349,192	495,146	165,208	411,117
Total Ending Cash and Investments		4,349,192	495,146	165,208	411,117

The accompanying notes are an integral part of this statement.

304 Cif / Arterial/alternate Route	305 Capital Improvement	401 Water	403 Sewer	405 Storm Drainage	407 Solid Waste
-	-	-	-	-	-
9,584	225,336	1,712,978	1,147,889	204,288	78,340
-	-	-	-	-	-
-	59,230	-	-	-	-
-	-	-	-	-	-
-	-	-	-	80,335	-
45,142	-	605,324	888,873	130,907	-
-	-	32,461	6,120	629	273
10	129	1,894	2,287	108	41
45,152	59,359	639,679	897,280	211,978	313
-	-	-	-	-	-
-	-	-	-	-	-
-	-	590,668	853,348	94,451	258
8,263	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,263	-	590,668	853,348	94,451	258
36,889	59,359	49,011	43,932	117,527	55
-	-	57,501	7,300	(4,562)	-
-	-	-	638,679	-	-
-	6,000	-	14,856	-	1,200
-	6,000	57,501	660,835	(4,562)	1,200
-	-	-	-	-	-
-	-	-	33,378	-	-
30,000	-	44,220	902,343	103,648	-
-	-	-	14,856	-	-
30,000	-	44,220	950,577	103,648	-
6,889	65,359	62,292	(245,810)	9,317	1,255
-	-	-	-	-	-
16,474	290,695	1,775,271	902,079	213,606	79,595
16,474	290,695	1,775,271	902,079	213,606	79,595

The accompanying notes are an integral part of this statement.

CITY OF GRANITE FALLS
NOTES TO FINANCIAL STATEMENTS
January 1, 2015 through December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Granite Falls was incorporated on December 14, 1903, and operates under the laws of the State of Washington applicable to a non-charter code city with a Mayor-Council form of government. The City is a general purpose government and provides public safety, street improvements, parks and recreation, and general administrative services. In addition, Granite Falls owns, maintains and operates a water distribution system, a sewer transmission system and a wastewater treatment plant. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Granite Falls 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

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for specific revenues that are restricted or committed to expenditures for specified purposes of the City.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

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 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 an annual appropriated budget for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end.

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

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

FUNDS	FINAL APPROPRIATED	ACTUAL EXPENDITURES	VARIANCE
Current Expense	1,386,022	1,210,326	175,696
Streets	193,759	164,286	29,473
CIF / Streets	88,895	67,067	21,828
CIF / Arterial / Alternate Route	42,000	41,158	842
Capital Improvement	75,000	73,612	1,388
Water Utility*			
Water Operating	722,239	686,619	35,620
Water Capital	221,100	12,170	208,930
WATER TOTAL	943,339	698,789	244,550
Sewer Utility*			
Sewer Operating	1,108,789	983,967	124,822
Sewer Capital	85,000	55,038	29,962
SEWER TOTAL	1,193,789	1,039,005	154,784
Storm Drainage*			
Storm Operating	245,400	154,780	90,620
Storm Capital	8,000	9,269	(1,269)
STORM TOTAL	253,400	164,049	89,351
Solid Waste	260	258	2
TOTALS**	4,176,464	3,458,550	717,914

*Included in total are listed combined funds

****Appropriated totals do not include ending cash or non-expenditures**

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

d. Cash

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

e. Deposits

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

f. Investments

See Note 2, Investments.

g. Capital Assets

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. An employee may request during the calendar year to be cashed out for accrued vacation leave time.

Sick leave may be accumulated up to 720 hours for all employees. There is no compensation for unused sick leave at any time.

i. Long-Term Debt

See Note 5, Debt Service Requirements.

j. Other Financing Sources or Uses

The City's Other Financing Sources or Uses consist of:

- Insurance recoveries
- Operating/interfund transfers
- Proceeds and redemption of long term debt

k. Risk Management

The City of Granite Falls is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or 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 program was formed on September 1, 1988, when 34 cities 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 1, 2015, there are 210 members in the program.

The program provides the following forms of joint self-insurance and excess reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown and Crime Protection, and Liability, including General, Automobile and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$2,140,107 to cap the total claims paid by the program in any one policy term.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2015 were \$627,702.49.

NOTE 2 – INVESTMENTS

The City's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at fair market value.

Investments are presented at cost.

Investments by type as of December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
LGIP	\$2,202,936.98

NOTE 3 – PROPERTY TAX

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

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

The City's regular levy for 2015 was \$0.00166797474 per \$1,000 based on an assessed valuation of \$248,804,727 for a total regular levy of \$415,000.

NOTE 4 – INTERFUND LOANS

The following table displays interfund loan activity during 2015:

Borrowing Fund	Lending Fund	Balance Jan. 1, 2015	New Loans	Repayments	Balance Dec. 31, 2015
001 General	401 Water	\$160,120		\$160,120	-0-
TOTALS		\$160,120		\$160,120	-0-

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2015.

The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

Year	2003/2013 PWTF Loan principal	Loan interest	Capital Leases	Snohomish County*	Total Debt Requirements
2015	72,236	7,848	938	40,000	121,022
2016	72,236	5,279	938	40,000	118,453
2017	72,236	4,795	938	40,000	117,969
2018	72,236	4,311	938	40,000	117,485
2019	72,236	3,828	704	40,000	116,767
2020	72,236	3,343		40,000	115,579
2021-2025	238,237	11,912		200,000	450,149
2026-2030	238,237	5,956		200,000	444,193
2031-2035-	95,295	715		200,000	296,009
TOTALS	1,005,182	47,987	4,456	800,000	1,897,626

* Balance due from year 2036 until debt is paid to Snohomish County in accordance with interlocal agreement for construction of alternate route project totals \$5,083,095.

NOTE 6 – PENSION PLANS

Substantially all City of Granite Falls' full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) plan administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. Granite Falls employees participate in Public Employee Retirement Systems (PERS) Plan 2 and Plan 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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 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)
PERS 2/3	0.006283%	\$224,495
PERS Plan I UAAL	0.004864%	\$254,432
LEOFF I	0.000892%	(\$10,751)

The City also 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.

NOTE 7 – OTHER DISCLOSURES

a. Snohomish County Agreement Alternate Route Project

An Interlocal Agreement between the City of Granite Falls and Snohomish County for design and construction of the Granite Falls Alternate Route on SR 92 was executed February 28, 2007 and amended in October 2013. This agreement provided that Snohomish County would be the lead agency for the project and the City and County would each be responsible for one-half of the total fees and costs of the project. The City's financial contributions for the project included revenue received from federal and state grants; traffic mitigation impact fees collected from developers; and traffic mitigation impact fees from a number of quarries in accordance with agreements between the City and the quarry companies. The project was completed in 2013 and Granite Falls authorized execution of a Quit Claim Deed to Washington State Department of Transportation (WSDOT) on February 28, 2015 transferring certain properties to WSDOT. The balance owing to Snohomish County for this project totals \$5,843,095 and the City of Granite Falls is repaying this liability with the impact fees collected from developers and quarries in accordance with the agreement.

b. AHA - Alliance for Housing Affordability

In September 2013, the City of Granite Falls joined the cities of Edmonds, Everett, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May 2014 to add the City of Arlington and in June 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County. Fiscal agent duties are performed by the City of Mountlake Terrace.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first three years of organizational start-up. The City of Granite Falls' equity share to date is:

Fiscal Year 7/1/13- 6/30/16	AHA's Total Fiscal Year Budget	Granite Falls' Share of Budget	Granite Falls' Share as % of Total AHA Budget
2013	\$89,850	\$1,000	1.11%
2014	\$92,543	\$1,030	1.11%
2015	\$123,464	\$1,061	0.81%
2016	\$145,590	\$1,061	0.73%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Crystil Wooldridge, Finance Director, City of Mountlake Terrace, 6100 219th Street SW, Mountlake Terrace WA 98043 (email: cwooldridge@ci.mlt.wa.us) or from Kristina Gallant, Housing Analyst, Alliance for Housing Affordability, 12625 4th Ave W, Suite 200, Everett WA 98204.

c. Snohomish County Police Staff and Auxiliary Services Center (SNOPAC)

The City of Granite Falls and other Police and Fire entities (currently 37) operate jointly the Snohomish County Police Staff and Auxiliary Services Center (SNOPAC). SNOPAC, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOPAC is with an eleven member Board of Directors which is specified in the Interlocal Agreement. SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOPAC, any money in the possession of SNOPAC or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties to this Agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the City of Granite Falls' share was \$92,340 on December 31, 2015.

Complete financial statements for SNOPAC can be obtained from SNOPAC's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

d. Law Enforcement & Firefighter Officer Retirement –LEOFF I

The City of Granite Falls has a commitment to pay for post-employment benefits for employees that belong to LEOFF I. These benefits include medical, vision, dental, hearing, and prescription costs. One retiree received benefits during the year 2015 and \$6,033.94 was paid out for those benefits during the year.

e. Council-Manager Form of Government

Pursuant to an election held on November 2, 2015 in accordance with RCW 35A.06.04, RCW 35A.06.050, RCW 29A.04.330 and other applicable laws, the results of which were certified by the Snohomish County Auditor on November 24, 2015, the voters of the city of Granite Falls adopted the Council-Manager form of government as set forth in Chapter 35A.13 RCW.

f. Transportation Benefit District

On April 15, 2015, the City Council adopted Ordinance No. 890-2015 establishing a city-wide Transportation Benefit District pursuant to Chapter 36.73 RCW. The Transportation Benefit District Board (comprised of the Granite Falls City Council acting in an ex officio and independent capacity) held an organizational meeting on June 24, 2015 adopting resolutions necessary for operation of the District. Included was Resolution No. 3 approving a twenty dollar (\$20.00) annual vehicle license fee with collection of said fees to begin as of January 1, 2016.

On April 30, 2016 the City of Granite Falls Council adopted Ordinance No. 911-2016 which provided for the assumption of the Granite Falls Transportation Benefit District by the City of Granite Falls pursuant to RCW 36.74.030(1) (Section 303, subsection (1) of 2ESSB 5987)

g. Department of Retirement Systems (DRS) Audit Of Contracted Services

The City of Granite Falls was audited by DRS for use of contracted services performed by retirees of the Public Employee Retirement System (PERS). As a result of the DRS audit, the City received an invoice in June 2014 for payment of pension benefits paid in error to one of the City's contracted retirees performing planning services for the City. The invoice was issued by DRS due to noncompliance with state statutes that require employers to report certain retirees who perform contracted services. The City filed an appeal of this DRS decision in March 2015 and a hearing on the appeal was conducted in November 2015. No decision on this hearing has yet been received by the City.

CITY OF GRANITE FALLS
NOTES TO FINANCIAL STATEMENTS
January 1, 2014 through December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Granite Falls was incorporated on December 14, 1903, and operates under the laws of the State of Washington applicable to a non-charter code city with a Mayor-Council form of government. The City is a general purpose government and provides public safety, street improvements, parks and recreation, and general administrative services. In addition, Granite Falls owns, maintains and operates a water distribution system, a sewer transmission system and a wastewater treatment plant. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Granite Falls 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

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for specific revenues that are restricted or committed to expenditures for specified purposes of the City.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

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 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 an annual appropriated budget for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end.

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

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

FUNDS	FINAL APPROPRIATED	ACTUAL EXPENDITURES	VARIANCE
Current Expense	1,337,105	1,277,266	59,839
Streets	170,142	141,045	29,097
CIF / Streets	390,992	290,971	100,021
CIF / Arterial / Alternate Route	39,000	38,263	737
Capital Improvement	-	-	-
Water Utility*			
Water Operating	671,833	619,399	52,434
Water Capital	60,300	15,489	44,811
WATER TOTAL	732,133	634,888	97,245
Sewer Utility*			
Sewer Operating	1,016,204	901,848	114,356
Sewer Capital	917,000	902,077	14,923
SEWER TOTAL	1,933,204	1,803,925	129,279
Storm Drainage*			
Storm Operating	157,096	95,183	61,913
Storm Capital	148,000	102,916	45,084
STORM TOTAL	305,096	198,099	106,997
Solid Waste	259	258	1
TOTALS**	4,907,931	4,384,715	523,216

*Included in total are listed combined funds

****Appropriated totals do not include ending cash or non-expenditures**

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

d. Cash

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

e. Deposits

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

f. Investments

See Note 2, Investments.

g. Capital Assets

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. An employee may request during the calendar year to be cashed out for accrued vacation leave time.

Sick leave may be accumulated up to 960 hours for police officers and 720 hours for all other employees. There is no compensation for unused sick leave at any time.

i. Long-Term Debt

See Note 5, Debt Service Requirements.

j. Other Financing Sources or Uses

The City's Other Financing Sources or Uses consist of:

- Insurance recoveries
- Operating/interfund transfers
- Proceeds and redemption of long term debt

k. Risk Management

The City of Granite Falls is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or 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 program was formed on September 1, 1988, when 34 cities 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 1, 2014, there are 223 members in the program.

The program provides the following forms of joint self-insurance and excess reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown and Crime Protection, and Liability, including General, Automobile and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,259,396 to cap the total claims paid by the program in any one policy term.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-2015 policy term. An endorsement was added to the 2013-2014 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014 were \$1,817,654.59.

NOTE 2 – INVESTMENTS

The City's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at fair market value.

Investments are presented at cost.

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

<u>Type of Investment</u>	<u>Balance</u>
LGIP	\$2,199,322.65

NOTE 3 – PROPERTY TAX

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

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

The City's regular levy for 2014 was \$0.0016255860 per \$1,000 based on an assessed valuation of \$222,174,642 for a total regular levy of \$361,164.

NOTE 4 – INTERFUND LOANS

The following table displays interfund loan activity during 2014:

Borrowing Fund	Lending Fund	Balance Jan. 1, 2014	New Loans	Repayments	Balance Dec. 31, 2014
001 General	401 Water	\$212,560		\$52,440	\$160,120
TOTALS		\$212,560		\$52,440	\$160,120

NOTE 5 – DEBT SERVICE REQUIREMENTS

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

The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

Year	2003/2013 PWTF Loan principal	Loan interest	Capital Leases	Snohomish County*	Total Debt Requirements
2014	30,935	2,443	785	30,000	64,163
2015	64,737	7,362	938	40,000	113,037
2016	64,737	8,055	938	40,000	113,730
2017	64,737	7,407	938	40,000	113,082
2018	64,737	6,760	938	40,000	112,435
2019	64,737	6,113	704	40,000	111,554
2020-2024	225,332	22,328		200,000	447,660
2025-2029	200,743	12,045		200,000	412,788
2030-2034-	120,446	2,409		200,000	322,855
TOTALS	901,141	74,922	5,241	830,000	1,811,304

* Balance due from year 2034 until debt is paid to Snohomish County in accordance with interlocal agreement for construction of alternate route project totals \$5,189,104.

NOTE 6 – PENSION PLANS

Substantially all City of Granite Falls' full-time and qualifying part-time employees participate in either the Public Employees' Retirement System (PERS) plan or the Law Enforcement Officers and Fire Fighter (LEOFF) system plan administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

NOTE 7 – OTHER DISCLOSURES

a. Police Department

In December 2013 the City Council entered into an interlocal agreement with Snohomish County to provide police services for the City of Granite Falls to be effective March 1, 2014. Notices of termination were provided to the police department personnel. On March 6, 2014, police personnel were paid accumulated vacation hours and floating holiday hours. Vacation/floating holiday hours plus City cost for social security, medicare, and unemployment taxes totaled \$18,431.04. A settlement agreement between the City and Teamsters Union executed in July 2014 provided severance package for terminated police employees of all unused/accrual leave (including sick leave). The additional leave payments to the terminated employees were prepared to be released once the employees signed a release of all claims against the City. The total City cost for the sick leave hours totaled \$11,819.36, including social security, medicare and unemployment taxes. Two police department employees did not sign the release of claims so these two checks totaling \$326.00 were canceled. The City insurance carrier, CIAW, provided assistance in this leave settlement in the amount of \$5000.00.

b. Snohomish County Agreement Alternate Route Project

An Interlocal Agreement between the City of Granite Falls and Snohomish County for design and construction of the Granite Falls Alternate Route on SR 92 was executed February 28, 2007 and amended in October 2013. This agreement provided that Snohomish County would be the lead agency for the project and the City and County would each be responsible for one-half of the total fees and costs of the project. The City's financial contributions for the project included revenue received from federal and state grants; traffic mitigation impact fees collected from developers; and traffic mitigation impact fees from a number of quarries in accordance with agreements between the City and the quarry companies. The project was completed in 2013 and Granite Falls authorized execution of a Quit Claim Deed to Washington State Department of Transportation (WSDOT) on February 28, 2015 transferring certain properties to WSDOT. The balance owing to Snohomish County for this project totals \$5,989,104 and the City of Granite Falls is repaying this liability with the impact fees collected from developers and quarries in accordance with the agreement.

c. AHA - Alliance for Housing Affordability

In September 2013, the City of Granite Falls joined the cities of Edmonds, Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May 2014 to add the City of Arlington and in June 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County. Fiscal agent duties are performed by the City of Mountlake Terrace.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first three years of organizational start-up. The City of Granite Falls' equity share to date is:

Fiscal Year 7/1/XX- 6/30/XX	AHA's Total Fiscal Year Budget	Granite Falls' Share of Budget	Granite Falls' Share as % of Total AHA Budget
2013	\$89,850	\$1,000	1.11%
2014	\$92,543	\$1,030	1.11%
2015	\$123,464	\$1,000	0.81%
2016	\$145,590	\$1,061	0.73%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Sonja Springer, Finance Director, City of Mountlake Terrace, 6100 219th Street SW, Mountlake Terrace WA 98043 (email: sspringer@ci.mlt.wa.us) or from Kristina Gallant, Housing Analyst, Alliance for Housing Affordability, 12625 4th Ave W, Suite 200, Everett WA 98204.

d. Snohomish County Police Staff and Auxiliary Services Center (SNOPAC)

The City of Granite Falls and other Police and Fire entities (currently 37) operate jointly the Snohomish County Police Staff and Auxiliary Services Center (SNOPAC). SNOPAC, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOPAC is with an eleven member Board of Directors which is specified in the Interlocal Agreement. SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOPAC, any money in the possession of SNOPAC or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties to this Agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the City of Granite Falls' share was \$95,024 on December 31, 2014.

Complete financial statements for SNOPAC can be obtained from SNOPAC's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

e. Law Enforcement & Firefighter Officer Retirement –LEOFF I

The City of Granite Falls has a commitment to pay for post-employment benefits for employees that belong to LEOFF I. These benefits include medical, vision, dental, hearing, and prescription costs. One retiree received benefits during the year and \$6,935.57 was paid out for those benefits during the year.

f. Department of Retirement Systems (DRS) Audit Of Contracted Services

The City of Granite Falls was audited by DRS for use of contracted services performed by retirees of the Public Employee Retirement System (PERS). As a result of the DRS audit, the City received an invoice in June 2014 for payment of pension benefits paid in error to one of the City's contracted retirees performing planning services for the City. The invoice was issued by DRS due to noncompliance with state statutes that require employers to report certain retirees who perform contracted services. The City filed an appeal of this DRS decision in March 2015 and a hearing on the appeal was conducted in November 2015. No decision on this hearing has yet been received by the City.

City of Granite Falls
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						
263.51	Postage Meter Lease		4,456	-	938	3,518
263.81	Alternate Route Improvements	5/20/1936	5,989,104	-	146,009	5,843,095
263.81	PWTF Loan	7/13/2020	147,530	-	24,588	122,942
263.81	2013 PWTF Loan	6/13/2032	722,677	134,976	47,647	810,006
Total General Obligation Debt/Liabilities:			6,863,767	134,976	219,182	6,779,561
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - General	5/13/2016	9,878	11,703	8,926	12,655
259.12	Compensated Absences-Proprietary	5/13/2016	23,843	32,171	21,852	34,162
264.30	Pension Liability	5/13/2016	-	478,927	-	478,927
Total Revenue and Other (non G.O.) Debt/Liabilities:			33,721	522,801	30,778	525,744
Total Liabilities:			6,897,488	657,777	249,960	7,305,305

City of Granite Falls
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 General Funds	12/31/2014	19,643	10,109	19,874	9,878
259.11	Compensated Absences Proprietary Funds	12/31/2014	16,722	27,408	20,287	23,843
263.51	Postage Meter Lease	5/31/2019	869	4,925	1,338	4,456
263.81	Snohomish County Alternate Route	12/31/2026	5,985,323	33,782	30,000	5,989,105
263.81	PWTF Loan	7/1/2020	172,118	-	24,588	147,530
263.81	2013 PWTF	6/1/2032	90,345	638,679	6,347	722,677
Total General Obligation Debt/Liabilities:			6,285,020	714,903	102,434	6,897,489
Total Liabilities:			6,285,020	714,903	102,434	6,897,489

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
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Toll-free Citizen Hotline	(866) 902-3900
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