



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Dayton

Columbia County

For the period January 1, 2014 through December 31, 2016

Published December 28, 2017

Report No. 1020450





Office of the Washington State Auditor
Pat McCarthy

December 28, 2017

Mayor and City Council
City of Dayton
Dayton, Washington

Report on Financial Statements

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

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 Dayton
Columbia County
January 1, 2014 through December 31, 2016**

Mayor and City Council
City of Dayton
Dayton, 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 Dayton, Columbia County, Washington, as of and for the years ended December 31, 2016, 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 December 18, 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 style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

December 18, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Dayton Columbia County January 1, 2014 through December 31, 2016

Mayor and City Council
City of Dayton
Dayton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Dayton, Columbia County, Washington, for the years ended December 31, 2016, 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 opinions 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 Dayton 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 Dayton, for the years ended December 31, 2016, 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 Dayton, as of December 31, 2016, 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 opinions on the financial statements taken as a whole. The 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 December 18, 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

December 18, 2017

FINANCIAL SECTION

**City of Dayton
Columbia County
January 1, 2014 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
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Schedule of Liabilities – 2014

City of Dayton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 Current Expense Fund	103 City Street Fund	105 C E Cumulative Reserve
Beginning Cash and Investments					
30810	Reserved	852,964	-	-	556
30880	Unreserved	1,289,033	172,146	96,789	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,057,931	732,173	178,108	-
320	Licenses and Permits	9,711	8,696	228	-
330	Intergovernmental Revenues	428,692	80,671	57,659	-
340	Charges for Goods and Services	1,631,241	42,055	-	-
350	Fines and Penalties	76,847	46,815	-	-
360	Miscellaneous Revenues	90,507	79,845	252	-
Total Revenues:		3,294,929	990,254	236,247	-
Expenditures					
510	General Government	264,553	264,553	-	-
520	Public Safety	358,878	358,878	-	-
530	Utilities	1,035,975	64,065	-	-
540	Transportation	220,997	-	220,997	-
550	Natural and Economic Environment	166,240	77,271	270	-
560	Social Services	-	-	-	-
570	Culture and Recreation	175,108	175,108	-	-
Total Expenditures:		2,221,752	939,876	221,267	-
Excess (Deficiency) Revenues over Expenditures:		1,073,178	50,378	14,980	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	18,500	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	8,082	2,204	-	-
381, 395, 398	Other Resources	50,103	221	2,170	-
Total Other Increases in Fund Resources:		76,685	2,425	2,170	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	582,266	-	-	-
591-593, 599	Debt Service	506,948	-	-	-
597	Transfers-Out	18,500	14,900	3,600	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	17,938	17,603	-	-
581	Other Uses	46,956	7,444	-	-
Total Other Decreases in Fund Resources:		1,172,607	39,946	3,600	-
Increase (Decrease) in Cash and Investments:		(22,745)	12,858	13,550	-
Ending Cash and Investments					
5081000	Reserved	927,666	-	-	556
5088000	Unreserved	1,192,281	185,143	110,339	-
Total Ending Cash and Investments		2,119,947	185,143	110,339	556

The accompanying notes are an integral part of this statement.

City of Dayton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		106 Motel/hotel Excise Tax Fund	301 Capital Improvement Fund	401 Sewer Revenue Fund	403 Water Revenue Fund
Beginning Cash and Investments					
30810	Reserved	9,846	100,442	134,186	263,993
30880	Unreserved	-	-	495,565	487,981
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	57,628	90,022	-	-
320	Licenses and Permits	-	-	410	378
330	Intergovernmental Revenues	-	290,362	-	-
340	Charges for Goods and Services	-	-	818,152	770,408
350	Fines and Penalties	-	-	-	30,032
360	Miscellaneous Revenues	3	690	3,297	6,416
Total Revenues:		<u>57,631</u>	<u>381,074</u>	<u>821,858</u>	<u>807,234</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	442,475	529,435
540	Transportation	-	-	-	-
550	Natural and Economic Environment	56,730	-	11,497	20,472
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>56,730</u>	<u>-</u>	<u>453,972</u>	<u>549,906</u>
Excess (Deficiency) Revenues over Expenditures:		901	381,074	367,887	257,328
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	18,500	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	4,429	167	1,282
381, 395, 398	Other Resources	-	-	378	378
Total Other Increases in Fund Resources:		<u>-</u>	<u>22,929</u>	<u>545</u>	<u>1,660</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	365,765	87,409	129,092
591-593, 599	Debt Service	-	-	282,562	224,386
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	50	285
581	Other Uses	-	11,942	12,068	15,501
Total Other Decreases in Fund Resources:		<u>-</u>	<u>377,707</u>	<u>382,089</u>	<u>369,264</u>
Increase (Decrease) in Cash and Investments:		901	26,296	(13,657)	(110,277)
Ending Cash and Investments					
5081000	Reserved	10,747	126,737	134,186	263,993
5088000	Unreserved	-	556	481,908	377,704
Total Ending Cash and Investments		10,747	127,293	616,094	641,697

City of Dayton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		<u>406 Solidwaste Disposal Fund</u>	<u>501 Equipment Replacement</u>	<u>701 Cemetery Endowment Fund</u>	<u>702 Historic Pathway Endowment</u>
Beginning Cash and Investments					
30810	Reserved	-	-	334,940	9,002
30880	Unreserved	276	36,275	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	77	-	550	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	0	4	-	-
Total Revenues:		<u>77</u>	<u>4</u>	<u>550</u>	<u>-</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>77</u>	<u>4</u>	<u>550</u>	<u>-</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	46,956	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>46,956</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>77</u>	<u>4</u>	<u>47,506</u>	<u>-</u>
Ending Cash and Investments					
5081000	Reserved	-	-	382,446	9,002
5088000	Unreserved	353	36,279	-	-
Total Ending Cash and Investments		<u>353</u>	<u>36,279</u>	<u>382,446</u>	<u>9,002</u>

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense Fund</u>	<u>103 City Street Fund</u>	<u>105 C E Cumulative Reserve Fund</u>
Beginning Cash and Investments					
30810	Reserved	498,165	-	-	76,349
30880	Unreserved	1,449,416	383,907	56,465	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,026,234	726,071	203,959	7,737
320	Licenses and Permits	10,649	9,460	255	-
330	Intergovernmental Revenues	194,251	140,623	53,628	-
340	Charges for Goods and Services	1,680,059	40,776	-	-
350	Fines and Penalties	27,220	344	-	-
360	Miscellaneous Revenues	71,480	55,675	521	268
Total Operating Revenues:		<u>3,009,893</u>	<u>972,948</u>	<u>258,363</u>	<u>8,005</u>
Operating Expenditures					
510	General Government	290,000	290,000	-	-
520	Public Safety	345,574	345,574	-	-
530	Utilities	1,067,126	79,846	-	-
540	Transportation	215,909	-	215,909	-
550	Natural and Economic Environment	204,862	96,495	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	176,259	176,259	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>2,299,731</u>	<u>988,175</u>	<u>215,909</u>	<u>-</u>
Net Operating Increase (Decrease):		710,163	(15,226)	42,454	8,005
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	32,647	492	1,963	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	163,739	-	-	-
Total Nonoperating Revenues:		<u>196,386</u>	<u>492</u>	<u>1,963</u>	<u>-</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	227,515	197,122	-	-
591-593	Debt Service	502,810	192	-	-
594-595	Capital Expenditures	253,360	-	-	15,213
597	Transfers-Out	72,586	-	4,000	68,586
Total Nonoperating Expenditures:		<u>1,056,271</u>	<u>197,314</u>	<u>4,000</u>	<u>83,799</u>
Net Increase (Decrease) in Cash and Investments:		(149,722)	(212,048)	40,417	(75,794)
Ending Cash and Investments					
5081000	Reserved	509,023	-	-	556
5088000	Unreserved	1,289,033	172,146	96,789	-
Total Ending Cash and Investments		<u>1,798,055</u>	<u>172,146</u>	<u>96,789</u>	<u>556</u>

The accompanying notes are an integral part of this statement.

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

		<u>106 Motel/hotel Excise Tax Fund</u>	<u>301 Capital Improvement Fund</u>	<u>401 Sewer Revenue Fund</u>	<u>403 Water Revenue Fund</u>
Beginning Cash and Investments					
30810	Reserved	23,637	-	134,186	263,993
30880	Unreserved	-	-	461,748	508,653
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	61,206	27,262	-	-
320	Licenses and Permits	-	-	504	430
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	822,231	816,777
350	Fines and Penalties	-	-	-	26,876
360	Miscellaneous Revenues	10	7,668	2,757	4,304
Total Operating Revenues:		<u>61,216</u>	<u>34,930</u>	<u>825,491</u>	<u>848,386</u>
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	439,585	547,695
540	Transportation	-	-	-	-
550	Natural and Economic Environment	75,007	-	12,789	20,570
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>75,007</u>	<u>-</u>	<u>452,374</u>	<u>568,266</u>
Net Operating Increase (Decrease):		<u>(13,791)</u>	<u>34,930</u>	<u>373,117</u>	<u>280,121</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	22,401	3,254	4,536
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	72,586	-	-
Total Nonoperating Revenues:		<u>-</u>	<u>94,987</u>	<u>3,254</u>	<u>4,536</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	12,168	15,624
591-593	Debt Service	-	-	283,771	218,800
594-595	Capital Expenditures	-	29,475	46,615	70,904
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		<u>-</u>	<u>29,475</u>	<u>342,555</u>	<u>305,328</u>
Net Increase (Decrease) in Cash and Investments:		<u>(13,791)</u>	<u>100,442</u>	<u>33,817</u>	<u>(20,671)</u>
Ending Cash and Investments					
5081000	Reserved	9,846	100,442	134,186	263,993
5088000	Unreserved	-	-	495,565	487,981
Total Ending Cash and Investments		<u>9,846</u>	<u>100,442</u>	<u>629,751</u>	<u>751,974</u>

The accompanying notes are an integral part of this statement.

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

		406 Solidwaste Disposal Fund	501 Equipment Replacement
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	-	38,644
388 & 588	Prior Period Adjustments, Net	-	-
Operating Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	276	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	0	278
	Total Operating Revenues:	276	278
Operating Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
598	Miscellaneous Expenses	-	-
	Total Operating Expenditures:	-	-
	Net Operating Increase (Decrease):	276	278
Nonoperating Revenues			
370-380, 395 & 398	Other Financing Sources	-	-
391-393	Debt Proceeds	-	-
397	Transfers-In	-	91,153
	Total Nonoperating Revenues:	-	91,153
Nonoperating Expenditures			
580, 596 & 599	Other Financing Uses	-	2,601
591-593	Debt Service	-	47
594-595	Capital Expenditures	-	91,153
597	Transfers-Out	-	-
	Total Nonoperating Expenditures:	-	93,801
	Net Increase (Decrease) in Cash and Investments:	276	(2,370)
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	276	36,275
	Total Ending Cash and Investments	276	36,275

The accompanying notes are an integral part of this statement.

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>103 Street Fund</u>	<u>105 C.E. Cumulative Reserve</u>
Beginning Cash and Investments					
30810	Reserved	414,261	-	-	-
30880	Unreserved	1,207,579	182,804	63,038	69,947
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,219,391	945,615	190,898	15,881
320	Licenses and Permits	11,325	10,621	10	-
330	Intergovernmental Revenues	196,494	143,997	52,497	-
340	Charges for Goods and Services	1,942,290	113,859	-	-
350	Fines and Penalties	27,871	428	-	-
360	Miscellaneous Revenues	60,519	54,627	238	108
Total Operating Revenues:		<u>3,457,891</u>	<u>1,269,147</u>	<u>243,643</u>	<u>15,989</u>
Operating Expenditures					
510	General Government	292,545	292,545	-	-
520	Public Safety	346,938	346,938	-	-
530	Utilities	1,293,633	125,321	-	-
540	Transportation	227,636	-	227,636	-
550	Natural and Economic Environment	164,653	103,867	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	151,929	151,929	-	-
Total Operating Expenditures:		<u>2,477,335</u>	<u>1,020,601</u>	<u>227,636</u>	<u>-</u>
Net Operating Increase (Decrease):		<u>980,557</u>	<u>248,547</u>	<u>16,007</u>	<u>15,989</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	42,303	1,035	33,390	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		<u>42,303</u>	<u>1,035</u>	<u>33,390</u>	<u>-</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	53,934	37,053	16,881	-
591-593	Debt Service	509,359	617	591	-
594-595	Capital Expenditures	133,184	10,593	38,097	9,587
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		<u>696,477</u>	<u>48,262</u>	<u>55,569</u>	<u>9,587</u>
Net Increase (Decrease) in Cash and Investments:		<u>326,383</u>	<u>201,319</u>	<u>(6,172)</u>	<u>6,402</u>
Ending Cash and Investments					
5081000	Reserved	421,716	-	-	-
5088000	Unreserved	1,525,765	383,907	56,465	76,349
Total Ending Cash and Investments		<u>1,947,481</u>	<u>383,907</u>	<u>56,465</u>	<u>76,349</u>

The accompanying notes are an integral part of this statement.

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

		<u>106 Hotel/Motel Excise Tax</u>	<u>401 Sewer Revenue</u>	<u>403 Water Revenue</u>	<u>406 Solid Waste Utilities</u>
Beginning Cash and Investments					
30810	Reserved	16,082	134,186	263,993	-
30880	Unreserved	-	391,623	461,582	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	66,997	-	-	-
320	Licenses and Permits	-	284	410	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	815,165	814,534	198,732
350	Fines and Penalties	-	-	27,443	-
360	Miscellaneous Revenues	11	1,742	3,729	6
	Total Operating Revenues:	<u>67,008</u>	<u>817,191</u>	<u>846,116</u>	<u>198,738</u>
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	440,206	529,368	198,738
540	Transportation	-	-	-	-
550	Natural and Economic Environment	59,453	696	637	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
	Total Operating Expenditures:	<u>59,453</u>	<u>440,902</u>	<u>530,005</u>	<u>198,738</u>
	Net Operating Increase (Decrease):	<u>7,555</u>	<u>376,289</u>	<u>316,111</u>	<u>(0)</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	1,250	6,628	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
	Total Nonoperating Revenues:	<u>-</u>	<u>1,250</u>	<u>6,628</u>	<u>-</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	286,120	222,031	-
594-595	Capital Expenditures	-	21,915	52,992	-
597	Transfers-Out	-	-	-	-
	Total Nonoperating Expenditures:	<u>-</u>	<u>308,035</u>	<u>275,023</u>	<u>-</u>
	Net Increase (Decrease) in Cash and Investments:	<u>7,555</u>	<u>69,504</u>	<u>47,716</u>	<u>(0)</u>
Ending Cash and Investments					
5081000	Reserved	23,537	134,186	263,993	-
5088000	Unreserved	-	461,748	508,653	-
	Total Ending Cash and Investments	<u>23,537</u>	<u>595,934</u>	<u>772,646</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

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

		<u>501 Equipment Replacement</u>
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	38,586
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	58
	Total Operating Revenues:	<u>58</u>
Operating Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
	Total Operating Expenditures:	<u>-</u>
	Net Operating Increase (Decrease):	<u>58</u>
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
	Total Nonoperating Revenues:	<u>-</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	-
597	Transfers-Out	-
	Total Nonoperating Expenditures:	<u>-</u>
	Net Increase (Decrease) in Cash and Investments:	<u>58</u>
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	38,644
	Total Ending Cash and Investments	<u>38,644</u>

The accompanying notes are an integral part of this statement.

City of Dayton
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		<u>Total for All Funds (Memo Only)</u>	<u>632 Library Endowment Fund</u>
308	Beginning Cash and Investments	168,943	168,943
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
	Net Increase (Decrease) in Cash and Investments:	-	-
508	Ending Cash and Investments	168,943	168,943

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	601 Cemetery Endowment Care Fund	602 Library Endowment Fund	603 Dayton Historic Pathway Endowm
308	Beginning Cash and Investments	584,822	406,878	168,943	9,002
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	500	500	-	-
380-390	Other Increases and Financing Sources	41,117	41,117	-	-
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	113,555	113,555	-	-
	Net Increase (Decrease) in Cash and Investments:	(71,937)	(71,938)	-	-
508	Ending Cash and Investments	512,884	334,940	168,943	9,002

The accompanying notes are an integral part of this statement.

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

	Total for All Funds (Memo Only)	601 Cemetery Endowment Care	602 Library Endowment	603 Dayton Historic Pathway Endowment Fund	
308	Beginning Cash and Investments	545,947	368,003	168,943	9,002
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	800	800	-	-
380-390	Other Increases and Financing Sources	38,074	38,074	-	-
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	-	-	-	-
	Net Increase (Decrease) in Cash and Investments:	38,874	38,874	-	-
508	Ending Cash and Investments	584,822	406,878	168,943	9,002

The accompanying notes are an integral part of this statement.

City of Dayton

Notes to Financial Statements For the Year Ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The City of Dayton was incorporated in 1882 and operates under the laws of the state of Washington applicable to an Optional Municipal Code City with Mayor-Council form of government. The City is a general purpose local government and provides public safety, street maintenance and improvement, cemetery, park and recreation, and general administrative services. In addition, the City owns and operates a domestic water system and a wastewater (sewer) system.

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 statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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.

C. Budgets

The City adopts annual appropriated budgets for 17 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	\$ 1,068,500	\$ 979,822	\$ 88,678
City Street & Road	\$ 313,000	\$ 224,867	\$ 88,133
Motel/Hotel Excise Tax	\$ 59,500	\$ 56,730	\$ 2,770
Capital Improvements	\$ 602,100	\$ 377,707	\$ 224,393
Sewer Revenue	\$ 1,234,500	\$ 454,023	\$ 399,078
Solid Waste Collection	\$ 300	\$ -	\$ 300
Cemetery	\$ 20,000	\$ -	\$ 20,000
Equipment Repair & Replacement	\$ 37,000	\$ -	\$ 37,000
Library	\$ 1,200	\$ -	\$ 1,200
Sewer Cumulative Reserve	\$ 215,000	\$ 99,477	\$ 115,523
Water Revenue	\$ 972,700	\$ 563,958	\$ 103,842
Water Cumulative Reserve	\$ 297,000	\$ 144,593	\$ 152,407
W & S System Debt Service Reserve	\$ 398,100	\$ -	\$ 398,100
W & S System Debt Service	\$ 506,900	\$ 493,181	\$ 13,719
Cemetery Endowment	\$ 369,500	\$ -	\$ 369,500
Library Endowment	\$ 168,900	\$ -	\$ 168,900
Pathway Endowment	\$ 9,000	\$ -	\$ 9,000
TOTAL 2016 Budget	\$ 6,273,200	\$ 3,394,358	\$ 2,192,543

Budgeted amounts are authorized to be transferred between 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 and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours except under unusual circumstances. Up to 240 hours is payable upon separation or retirement.

Sick leave may be accumulated up to 120 days. Employees hired prior to January 1, 2004, upon retirement or death of a City employee, after five years of service with the City, the employee shall be paid fifty percent (50%) of all accrued sick leave, not to exceed 45-days. Employees hired after January 1, 2004, upon retirement or death of a City employee after five-years of service with the City, the employee shall be eligible to be paid twenty-five percent (25%) of all accrued sick leave, not to exceed 45 days. Payments are recognized as expenditures when paid.

Non-contractual regular employees may, under the discretion of the Mayor, select merit vacation instead of merit pay equal to the total gross amount of the merit increase not to exceed three percent (3%) annually. Merit vacation must be used prior to the use of regular vacation. Upon the separation of a non-contractual regular employee, the employee shall be eligible to be paid accrued merit vacation.

All non-contractual and contractual regular employees are entitled to specific paid holidays, including floating holidays and one Council Discretionary holiday.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's Other Financing Sources or Uses consist of operating transfers-in, operating transfers-out, proceeds of refunding long-term and short-term (interfund loans) debt.

I. Risk Management

The City of Dayton 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 by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 98 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 \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, 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. The \$9 million in excess liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, 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. A copy of AWC RMSA's financial statements can be obtained by contacting Association of Washington Cities, 1076 Franklin Street SE, Olympia, WA 98501-1346.

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following Funds: Motel/Hotel Excise Tax, Water and Sewer Bond Reserve, Cemetery Endowment, Library Endowment, and Dayton Historic Pathway, totaling \$920,909.

Note 2 – Deposits and Investments

Deposits and Investments

It is the City's policy to invest temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

Type of Investment	City's Own Investments	Investments held by City as an agent for other local governments, individuals or private organizations	Total
U.S. Government Securities	\$ 1,169,211	\$ 168,943	\$1,338,154
Public Investment Accounts	\$ 628,109	\$ -	\$ 628,109
Total	\$ 1,797,320	\$ 168,943	\$1,966,263

Note 3 - Property Tax

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

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

The City's regular levy for the year 2016 was \$2.303328 per \$1,000 on an assessed valuation of \$151,065,836 for a total regular levy of \$347,954.21.

Note 4 – 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, 2016.

There are two entries within the December 31, 2016 Schedule 09 resulting in the consolidation of one revenue debt liability that was previously reported based on the financial support from two separate proprietary funds. The entries were 252.11 U S Bank. The entries are a result of Ordinance No. 1622, passed and approved by the Mayor and Council on July 14, 1998. Ordinance No. 1622 combined the City’s water and sewer systems as authorized by RCW 35.67.331.

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

	Principal	Interest	Total
2017	\$ 351,977	\$ 153,144	\$ 505,121
2018	\$ 342,187	\$ 144,328	\$ 486,515
2019	\$ 354,475	\$ 135,399	\$ 489,873
2020	\$ 366,427	\$ 121,409	\$ 487,836
2021	\$ 383,480	\$ 106,538	\$ 490,018
2022 - 2026	\$ 850,286	\$ 315,702	\$ 1,165,989
2027 - 2031	\$ 237,517	\$ 238,943	\$ 476,460
2032 - 2034	\$ 169,489	\$ 116,387	\$ 285,876
Totals	\$ 3,055,838	\$ 1,331,850	\$ 4,387,688

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2016:

Borrowing Fund	Lending Fund	Balance 01/01/2016	New Loans	Repayments	Balance 12/31/2016
Equipment Replacement	Cemetery Endowment	\$ 60,983	\$ -	\$ 35,987	\$ 24,996
Cemetery	Cemetery Endowment	\$ 3,507	\$ -	\$ 3,524	\$ (16)
Street	Cemetery Endowment	\$ 14,434	\$ -	\$ -	\$ 14,434
Current Expense	Cemetery Endowment	\$ 14,949	\$ -	\$ 7,444	\$ 7,505
Totals		\$ 93,873	\$ -	\$ 46,956	\$ 46,917

Note 6- Pension Plans

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, 2 and 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
PO 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, 2016, the City's approximate proportionate share of collective net pension liabilities, as reported on Schedule 09, was as follows:

Plan	Allocation%	Liability (Asset)
PERS 1	0.006003%	322,390
PERS 2/3	0.005765%	290,263
LEOFF 1	0.001739%	(17,917)

LEOFF Plan 1

The City also participated 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

OPEB

The City has commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical with prescription co-payment obligations and long-term care services. Two retirees received benefits during the year and \$31,934 was paid out for those benefits during the year.

Employee Status

In April 2016, the Deputy City Clerk was in a car accident. As a result, there was one

employee performing all duties associated with the functions of the City Clerk's Office and its services for approximately 12-weeks in 2016.

City of Dayton
Notes to Financial Statements
For the Year Ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The City of Dayton was incorporated in 1882 and operates under the laws of the state of Washington applicable to an Optional Municipal Code City with Mayor-Council form of government. The City is a general purpose local government and provides public safety, street maintenance and improvement, cemetery, park and recreation, and general administrative services. In addition, the City owns and operates a domestic water system and a wastewater (sewer) system.

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- 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.
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- 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.
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A. Fund Accounting

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

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General (Current Expense) Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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.

C. Budgets

The City adopts annual appropriated budgets for 19 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	\$ 1,202,695	\$ 1,097,788	\$ 104,907
Cemetery	\$ 84,500	\$ 83,065	\$ 1,435
City Street & Road	\$ 299,165	\$ 219,909	\$ 79,256
Library	\$ 7,000	\$ 4,635	\$ 2,365
C.E. Cumulative Reserve	\$ 83,800	\$ 83,799	\$ 1
Motel/Hotel Excise Tax	\$ 86,000	\$ 75,007	\$ 10,993
Delany	\$ 10,000	\$ 1	\$ 9,999
Capital Improvements	\$ 77,000	\$ 29,475	\$ 47,525
Sewer Revenue	\$ 956,594	\$ 581,491	\$ 375,103
Sewer Cumulative Reserve	\$ 165,000	\$ 58,902	\$ 106,098
Water Revenue	\$ 930,497	\$ 739,744	\$ 190,753
Water Cumulative Reserve	\$ 299,800	\$ 86,686	\$ 213,114
W & S System Debt Service Reserve	\$ 398,100	\$ -	\$ 398,100
W & S System Debt Service	\$ 142,930	\$ 56,747	\$ 86,183
W or S Loan Repayment	\$ 145,054	\$ 144,952	\$ 102
Equipment Repair/Replacement	\$ 107,700	\$ 93,801	\$ 13,899
Cemetery Endowment	\$ 425,000	\$ 113,554	\$ 311,446
Library Endowment	\$ 168,900	\$ -	\$ 168,900
Pathway Endowment	\$ 9,000	\$ -	\$ 9,000
Total 2015 Budget	\$ 5,598,735	\$ 3,469,556	\$ 1,958,238

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 and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours except under unusual circumstances. Up to 240 hours is payable upon separation or retirement.

Sick leave may be accumulated up to 120 days. Employees hired prior to January 1, 2004, upon retirement or death of a City employee, after five years of service with the City, the employee shall be paid fifty percent (50%) of all accrued sick leave, not to exceed 45-days. Employees hired after January 1, 2004, upon retirement or death of a City employee after five-years of service with the City, the employee shall be eligible to be paid twenty-five percent (25%) of all accrued sick leave, not to exceed 45 days.

Non-contractual regular employees may, under the discretion of the Mayor, select merit vacation instead of merit pay equal to the total gross amount of the merit increase not to exceed three percent (3%) annually. Merit vacation must be used prior to the use of regular vacation. Upon the separation of a non-contractual regular employee, the employee shall be eligible to be paid accrued merit vacation.

All non-contractual and contractual regular employees are entitled to specific paid holidays, including floating holidays and one Council Discretionary holiday.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's Other Financing Sources or Uses consist of operating transfers-in, operating transfers-out, proceeds of refunding long-term and short-term (interfund loans) debt.

I. Risk Management

The City of Dayton 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.

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following Funds: C.E. Cumulative Reserve, Motel/Hotel Excise Tax, Water and Sewer Bond Reserve, Cemetery Endowment, Library Endowment, and Dayton Historic Pathway, totaling \$1,021,907.

Note 2 - Property Tax

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

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

The City's regular levy for the year 2015 was \$2.3033677 per \$1,000 on an assessed valuation of \$149,719,015 for a total regular levy of \$344,858.

Note 3 – Deposits and Investments

Deposits and Investments

It is the City's policy to invest temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

Type of Investment	City's Own Investments	Investments held by City as an agent for other local governments, individuals or private organizations	Total
U.S. Government Securities	\$ 943,964	\$ 168,943	\$ 1,112,907
Public Investment Accounts	\$ 1,216,596	\$ -	\$ 1,216,596
Total	\$ 2,160,560	\$ 168,943	\$ 2,329,503

Note 4 – 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 requirements for general obligation bonds, revenue bonds and other debt, including both principle and interest, are as follows:

	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2016	\$ 14,322	\$ 297,402	\$ 195,224	\$ 506,948
2017	\$ 14,322	\$ 297,602	\$ 193,197	\$ 505,121
2018	\$ 14,322	\$ 297,602	\$ 174,591	\$ 486,515
2019	\$ 14,322	\$ 437,240	\$ 38,312	\$ 489,873
2020	\$ 14,322	\$ 435,552	\$ 37,962	\$ 487,836
2021 - 2025	\$ 28,644	\$ 1,498,574	\$ 48,802	\$ 1,576,020
2026 - 2030	\$ -	\$ 476,460	\$ -	\$ 476,460
2031 - 2034	\$ -	\$ 381,168	\$ -	\$ 381,168
Totals	\$ 100,254	\$ 4,121,599	\$ 688,087	\$ 4,909,941

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2015:

Borrowing Fund	Lending Fund	Balance 01/01/2015	New Loans	Repayments	Balance 12/31/2015
Equipment Replacement	Cemetery Endowment	\$ -	\$ 91,153	\$ 30,170	\$ 60,983
Cemetery	Cemetery Endowment	\$ 7,002	\$ -	\$ 3,495	\$ 3,507

Street	Cemetery Endowment	\$ 14,434	\$ -	\$ -	\$ 14,434
Current Expense	Cemetery Endowment	\$ -	\$ 22,401	\$ 7,452	\$ 14,949
TOTALS		\$ 21,436	\$ 113,554	\$ 41,117	\$ 93,873

Note 6- Pension Plans

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, 2 and 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
PO Box 48380
Olympia, WA 98504-8380

At December 31, 2015, the City’s approximate proportionate share of collective net pension liabilities, as reported on Schedule 09, was as follows:

Plan	Allocation%	Liability (Asset)
PERS 1	0.007053%	368,937
PERS 2/3	0.005622%	200,877
LEOFF 1	0.001720%	(20,730)

Note 7 - Other Disclosures

OPEB

The City has commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical with prescription co-payment obligations and long-term care services. Two retirees received benefits during the year

and \$42,254 was paid out for those benefits during the year.

Software Conversion

In April 2015, the City performed a software conversion from a DOS based software program to a Windows based program with four separate modules including Financial, Cash Receipting, Utilities and Payroll.

City of Dayton

Notes to Financial Statements For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The City of Dayton was incorporated in 1882 and operates under the laws of the state of Washington applicable to an Optional Municipal Code City with Mayor-Council form of government. The City is a general purpose local government and provides public safety, street maintenance and improvement, cemetery, park and recreation, and general administrative services. In addition, the City owns and operates a domestic water system and a wastewater (sewer) system.

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 statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government 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 government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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.

C. Budgets

The City adopts annual appropriated budgets for 20 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level.

Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	\$ 1,059,900	\$ 968,629	\$ 91,271
Cemetery	\$ 101,400	\$ 95,870	\$ 5,530
Historic Pathway	\$ -	\$ -	\$ -
City Street & Road	\$ 355,000	\$ 283,205	\$ 71,795
Library	\$ 6,500	\$ 4,360	\$ 2,140
C.E. Cumulative Reserve	\$ 85,000	\$ 9,587	\$ 75,413
Motel/Hotel Excise Tax	\$ 59,500	\$ 59,453	\$ 47
Delany	\$ 1,800	\$ 4	\$ 1,796
Sewer Revenue	\$ 955,000	\$ 450,880	\$ 504,120
Sewer Cumulative Reserve	\$ 135,900	\$ 11,936	\$ 123,964
Water Revenue	\$ 897,600	\$ 530,005	\$ 367,595
Water Cumulative Reserve	\$ 242,900	\$ 52,992	\$ 189,908
Solidwaste Disposal Services	\$ 325,700	\$ 198,738	\$ 126,962
W & S System Debt Reserve	\$ 398,100	\$ -	\$ 398,100
W & S System Debt Service	\$ 389,300	\$ 294,552	\$ 94,748
W Or S Loan Repayment	\$ 327,400	\$ 213,600	\$ 113,800
Equipment Repair/Replacement	\$ 54,100	\$ -	\$ 54,100
Cemetery Endowment	\$ 401,100	\$ -	\$ 401,100
Library Endowment	\$ 168,900	\$ -	\$ 168,900
Pathway Endowment	\$ 9,000	\$ -	\$ 9,000
Totals	\$ 5,974,100	\$ 3,173,811	\$ 2,800,289

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 and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours except under unusual circumstances. Up to 240 hours is payable upon separation or retirement.

Sick leave may be accumulated up to 120 days. Employees hired prior to January 1, 2004, upon retirement or death of a City employee after five years of service with the City, the employee shall be paid fifty percent (50%) of all accrued sick leave, not to exceed 45-days. Employees hired after January 1, 2004, upon retirement or death of a City employee after five-years of service with the City, the employee shall be eligible to be paid twenty-five percent (25%) of all accrued sick leave, not to exceed 45 days.

Non-contractual regular employees may, under the discretion of the Mayor, select merit vacation instead of merit pay equal to the total gross amount of the merit increase not to exceed three percent (3%) annually. Merit vacation must be used prior to the use of regular vacation. Upon the separation of a non-contractual regular employee, the employee shall be eligible to be paid accrued merit vacation.

All non-contractual and contractual regular employees are entitled to specific paid holidays, including floating holidays and one Council Discretionary holiday.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's Other Financing Sources or Uses consist of operating transfers-in, operating transfers-out, proceeds of refunding long-term and short-term (interfund loans) debt.

I. Risk Management

The City of Dayton 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, 2014, 94 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 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

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

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

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

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following Funds: C.E. Cumulative Reserve, Motel/Hotel Excise Tax, Water and Sewer Bond Reserve, Cemetery Endowment, Library Endowment, and Dayton Historic Pathway, totaling \$1,059,350.

Note 2 - Property Tax

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

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

The City's regular levy for the year 2014 was \$2.292960 per \$1,000 on an assessed valuation of \$147,763,575 for a total regular levy of \$338,815.98.

Note 3 – Deposits and Investments

Deposits and Investments

It is the City's policy to invest temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

Type of Investment	City's Own Investments	Investments held by City as an agent for other local governments, individuals or private organizations	Total
U.S. Government Securities	\$ 452,792	\$ 389,783	\$ 842,575
Public Investment Accounts	\$ 1,331,100	\$ 156,565	\$1,487,665
Total	\$ 1,783,892	\$ 546,348	\$2,330,240

Note 4 – 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.

There are two entries within the December 31, 2014 Schedule 09 resulting in the determination that the previous reported water and sewer revenue debt, 252.12 Umpqua Bank, is a non-voted general obligation bond, 251.11 Umpqua Bank.

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

	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2015	\$ 14,322	\$ 291,252	\$ 196,497	\$ 502,071
2016	\$ 14,322	\$ 297,402	\$ 195,224	\$ 506,948
2017	\$ 14,322	\$ 297,602	\$ 193,197	\$ 505,121
2018	\$ 14,322	\$ 297,602	\$ 174,591	\$ 486,515
2019	\$ 14,322	\$ 437,240	\$ 38,312	\$ 489,874
2020-2024	\$ 42,966	\$ 1,838,834	\$ 86,764	\$ 1,968,564
2025-2029	\$ -	\$ 476,460	\$ -	\$ 476,460
2030-2034	\$ -	\$ 476,460	\$ -	\$ 476,460
Totals	\$ 114,577	\$ 4,412,852	\$ 884,585	\$ 5,412,013

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2014:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 01/01/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2014</u>
Cemetery	Cemetery Endowment	\$ -	\$ 10,573	\$ 3,571	\$ 7,002
Street	Cemetery Endowment	\$ 31,315	\$ -	\$ 16,881	\$ 14,434
Current Expense	Cemetery Endowment	<u>\$ 17,622</u>	<u>\$ -</u>	<u>\$ 17,622</u>	<u>\$ -</u>
TOTALS		<u>\$ 48,937</u>	<u>\$ 10,573</u>	<u>\$ 38,074</u>	<u>\$ 21,436</u>

The City Council approved one additional interfund loan in 2014, but it was not expended within 2014.

Note 6- Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) including PERS 1, 2 and 3 programs, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

obtained by writing to:

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

At June 30, 2014, the City's approximate proportionate share of collective net pension liabilities, as reported on Schedule 09, was as follows:

Plan	Allocation%	Liability (Asset)
PERS 1	0.007132%	359,278
PERS 2/3	0.005633%	113,863
LEOFF 1	0.001706%	(20,690)

Note 7 - Other Disclosures

OPEB

The City has commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical with prescription co-payment obligations and long-term care services. Two retirees received benefits during the year and \$37,485 was paid out for those benefits during the year.

**City of Dayton
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Umpqua Bank	3/15/2016	82,638	-	10,172	72,466
Total General Obligation Debt/Liabilities:			82,638	-	10,172	72,466
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	U S Bank	12/1/2016	827,200	-	827,200	-
252.11	U S Bank	12/1/2016	1,042,800	827,200	120,000	1,750,000
252.11	United States Department of Agriculture	2/25/2016	226,999	-	4,119	222,880
252.11	United States Department of Agriculture	10/27/2016	1,305,877	-	22,761	1,283,116
259.12	Compensated Absenses	12/31/2016	221,085	20,270	-	241,354
263.88	Public Works Trust Fund	6/1/2016	33,157	-	16,579	16,578
263.88	Public Works Trust Fund	6/1/2016	156,434	-	26,072	130,362
263.88	Public Works Trust Fund	6/1/2016	76,794	-	10,971	65,823
263.88	Public Works Trust Fund	6/1/2016	403,751	-	134,583	269,168
264.30	Pension Liabilities	6/30/2016	569,815	42,838	-	612,653
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,863,912	890,308	1,162,285	4,591,934
Total Liabilities:			4,946,550	890,308	1,172,457	4,664,400

**City of Dayton
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	Umpqua Bank	3/15/2015	92,335	-	9,697	82,638
Total General Obligation Debt/Liabilities:			92,335	-	9,697	82,638
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	U S Bank	12/1/2015	861,300	-	34,100	827,200
252.11	U S Bank	12/1/2015	1,118,700	-	75,900	1,042,800
252.11	United States Department of Agriculture	2/25/2015	230,991	-	3,952	227,039
252.11	United States Department of Agriculture	10/27/2015	1,327,658	-	21,780	1,305,878
259.12	Compensated Absences	12/31/2015	185,595	35,489	-	221,085
263.82	Public Works Board	7/1/2015	49,736	-	16,579	33,157
263.82	Public Works Board	7/1/2015	182,506	-	26,072	156,434
263.82	Public Works Board	7/1/2015	87,765	-	10,971	76,794
263.82	Public Works Board	7/1/2015	538,334	-	134,583	403,751
264.30	Pension Liabilities	6/30/2015	473,141	96,674	-	569,815
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,055,726	132,163	323,937	4,863,953
Total Liabilities:			5,148,061	132,163	333,634	4,946,591

**City of Dayton
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						
251.11	Umpqua Bank	3/15/2014	-	101,570	9,235	92,335
	Total General Obligation Debt/Liabilities:		-	101,570	9,235	92,335
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Bank of New York	12/1/2014	909,150	-	47,850	861,300
252.11	Bank of New York	12/1/2014	1,180,850	-	62,150	1,118,700
252.11	United States Department of Agriculture	2/25/2014	234,741	-	3,791	230,950
252.11	United States Department of Agriculture	10/27/2014	1,348,500	-	20,842	1,327,658
259.12	Compensated Absences	12/31/2014	137,932	47,663	-	185,595
252.11	Umpqua Bank	3/15/2014	101,570	-	101,570	-
263.82	Public Works Board	7/1/2014	66,315	-	16,579	49,736
263.82	Public Works Board	7/1/2014	208,578	-	26,072	182,506
263.82	Public Works Board	7/1/2014	98,736	-	10,971	87,765
263.82	Public Works Board	7/1/2014	672,917	-	134,583	538,334
264.30	Pension Liabilities	6/30/2014	-	473,141	-	473,141
	Total Revenue and Other (non G.O.) Debt/Liabilities:		4,959,289	520,804	424,408	5,055,685
	Total Liabilities:		4,959,289	622,374	433,643	5,148,019

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	
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