



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

## **Financial Statements Audit Report**

# **City of Sultan**

**Snohomish County**

**For the period January 1, 2015 through December 31, 2016**

**Published December 28, 2017**

**Report No. 1020534**





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

December 28, 2017

Mayor and City Council  
City of Sultan  
Sultan, Washington

**Report on Financial Statements**

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

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 Sultan  
Snohomish County  
January 1, 2015 through December 31, 2016**

Mayor and City Council  
City of Sultan  
Sultan, 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 Sultan, Snohomish County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 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.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated December 21, 2017.

## 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

December 18, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Sultan Snohomish County January 1, 2015 through December 31, 2016**

Mayor and City Council  
City of Sultan  
Sultan, Washington

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

We have audited the accompanying financial statements of the City of Sultan, Snohomish County, Washington, for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express 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 Sultan 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 Sultan, for the years ended December 31, 2016 and 2015, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

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

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Sultan, as of December 31, 2016 and 2015, 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 Sultan  
Snohomish County  
January 1, 2015 through December 31, 2016**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Fund Resources and Uses Arising from Cash Transactions – 2015  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2016  
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### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016  
Schedule of Liabilities – 2015

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

|   |                                     | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>001 GENERAL<br/>FUND</b> | <b>101 STREET<br/>FUND</b> | <b>103 CEMETERY<br/>FUND</b> |
|---|-------------------------------------|--|-----------------------------|----------------------------|------------------------------|
| <b>Beginning Cash and Investments</b>               |                                     |  |                             |                            |                              |
| 30810   | Reserved                            | 113,444  | -                           | -                          | 113,444                      |
| 30880   | Unreserved                          | 6,757,582                                      | 799,499                     | 28,194                     | 18,855                       |
| 388 / 588   | Prior Period Adjustments, Net       | -  | -                           | -                          | -                            |
| <b>Revenues</b>                                     |                                     |  |                             |                            |                              |
| 310   | Taxes                               | 1,964,272                                      | 1,538,651                   | 108,444                    | -                            |
| 320   | Licenses and Permits                | 135,790  | 130,176                     | 1,750                      | -                            |
| 330   | Intergovernmental Revenues          | 1,320,231                                      | 235,424                     | 105,821                    | -                            |
| 340   | Charges for Goods and Services      | 3,508,875                                      | 31,706                      | -                          | 20,153                       |
| 350   | Fines and Penalties                 | 32,352   | 17,659                      | -                          | -                            |
| 360   | Miscellaneous Revenues              | 668,340  | 64,584                      | 378                        | 1,038                        |
| Total Revenues:                                     |                                     | 7,629,861                                      | 2,018,201                   | 216,393                    | 21,191                       |
| <b>Expenditures</b>                                 |                                     |  |                             |                            |                              |
| 510   | General Government                  | 580,896  | 572,833                     | -                          | -                            |
| 520   | Public Safety                       | 1,082,286                                      | 1,082,286                   | -                          | -                            |
| 530   | Utilities                           | 2,426,296                                      | -                           | -                          | 27,329                       |
| 540   | Transportation                      | 193,921  | -                           | 193,921                    | -                            |
| 550   | Natural and Economic<br>Environment | 274,407  | 274,407                     | -                          | -                            |
| 560   | Social Services                     | 930  | 930                         | -                          | -                            |
| 570   | Culture and Recreation              | 111,327  | 111,327                     | -                          | -                            |
| Total Expenditures:                                 |                                     | 4,670,063                                      | 2,041,783                   | 193,921                    | 27,329                       |
| Excess (Deficiency) Revenues over Expenditures:     |                                     | 2,959,798                                      | (23,583)                    | 22,472                     | (6,138)                      |
| <b>Other Increases in Fund Resources</b>            |                                     |  |                             |                            |                              |
| 391-393, 596  | Debt Proceeds                       | -  | -                           | -                          | -                            |
| 397   | Transfers-In                        | 964,414  | 115,710                     | -                          | -                            |
| 385   | Special or Extraordinary Items      | -  | -                           | -                          | -                            |
| 386 / 389   | Custodial Activities                | -  | -                           | -                          | -                            |
| 381, 395, 398                                       | Other Resources                     | 90,320   | 7,016                       | -                          | -                            |
| Total Other Increases in Fund Resources:            |                                     | 1,054,734                                      | 122,726                     | -                          | -                            |
| <b>Other Decreases in Fund Resources</b>            |                                     |  |                             |                            |                              |
| 594-595   | Capital Expenditures                | 3,229,510                                      | 36,977                      | 6,250                      | 131                          |
| 591-593, 599  | Debt Service                        | 1,117,295                                      | -                           | -                          | -                            |
| 597   | Transfers-Out                       | 964,414  | -                           | 3,500                      | 500                          |
| 585   | Special or Extraordinary Items      | -  | -                           | -                          | -                            |
| 586 / 589   | Custodial Activities                | 238  | 238                         | -                          | -                            |
| 581   | Other Uses                          | -  | -                           | -                          | -                            |
| Total Other Decreases in Fund Resources:            |                                     | 5,311,457                                      | 37,215                      | 9,750                      | 631                          |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                     | <b>(1,296,924)</b>                             | <b>61,928</b>               | <b>12,722</b>              | <b>(6,769)</b>               |
| <b>Ending Cash and Investments</b>                  |                                     |  |                             |                            |                              |
| 5081000   | Reserved                            | -  | -                           | -                          | -                            |
| 5088000   | Unreserved                          | 5,574,104                                      | 861,427                     | 40,915                     | 125,530                      |
| <b>Total Ending Cash and Investments</b>            |                                     | <b>5,574,104</b>                               | <b>861,427</b>              | <b>40,915</b>              | <b>125,530</b>               |

The accompanying notes are an integral part of this statement.

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

|   |                                  | <b>104 CR<br/>EQUIPMENT<br/>FUND</b> | <b>108 IMPACT<br/>FEE FUND</b> | <b>112 PARK<br/>IMPACT FEE<br/>FUND</b> | <b>117 TIMBER<br/>RIDGE<br/>SETTLEMENT</b> |
|---|----------------------------------|--------------------------------------|--------------------------------|---|--|
| <b>Beginning Cash and Investments</b>               |                                  |                                      |                                |   |  |
| 30810   | Reserved                         | -                                    | -                              | -                                       | -  |
| 30880   | Unreserved                       | 186,890                              | 226,603                        | 144,156                                 | 58,136                                     |
| 388 / 588   | Prior Period Adjustments, Net    | -                                    | -                              | -                                       | -  |
| <b>Revenues</b>                                     |                                  |                                      |                                |   |  |
| 310   | Taxes                            | -                                    | -                              | -                                       | -  |
| 320   | Licenses and Permits             | -                                    | -                              | -                                       | -  |
| 330   | Intergovernmental Revenues       | -                                    | -                              | -                                       | -  |
| 340   | Charges for Goods and Services   | -                                    | 82,650                         | 60,325                                  | -  |
| 350   | Fines and Penalties              | -                                    | -                              | -                                       | -  |
| 360   | Miscellaneous Revenues           | 1,457                                | 2,565                          | 1,074                                   | 385  |
| Total Revenues:                                     |                                  | 1,457                                | 85,215                         | 61,399                                  | 385  |
| <b>Expenditures</b>                                 |                                  |                                      |                                |   |  |
| 510   | General Government               | -                                    | -                              | -                                       | -  |
| 520   | Public Safety                    | -                                    | -                              | -                                       | -  |
| 530   | Utilities                        | -                                    | -                              | -                                       | -  |
| 540   | Transportation                   | -                                    | -                              | -                                       | -  |
| 550   | Natural and Economic Environment | -                                    | -                              | -                                       | -  |
| 560   | Social Services                  | -                                    | -                              | -                                       | -  |
| 570   | Culture and Recreation           | -                                    | -                              | -                                       | -  |
| Total Expenditures:                                 |                                  | -                                    | -                              | -                                       | -  |
| Excess (Deficiency) Revenues over Expenditures:     |                                  | 1,457                                | 85,215                         | 61,399                                  | 385  |
| <b>Other Increases in Fund Resources</b>            |                                  |                                      |                                |   |  |
| 391-393, 596  | Debt Proceeds                    | -                                    | -                              | -                                       | -  |
| 397   | Transfers-In                     | 92,500                               | -                              | -                                       | -  |
| 385   | Special or Extraordinary Items   | -                                    | -                              | -                                       | -  |
| 386 / 389   | Custodial Activities             | -                                    | -                              | -                                       | -  |
| 381, 395, 398                                       | Other Resources                  | 16,229                               | -                              | -                                       | -  |
| Total Other Increases in Fund Resources:            |                                  | 108,729                              | -                              | -                                       | -  |
| <b>Other Decreases in Fund Resources</b>            |                                  |                                      |                                |   |  |
| 594-595   | Capital Expenditures             | 27,517                               | -                              | -                                       | 11,685                                     |
| 591-593, 599  | Debt Service                     | -                                    | -                              | -                                       | -  |
| 597   | Transfers-Out                    | -                                    | -                              | 75,000                                  | -  |
| 585   | Special or Extraordinary Items   | -                                    | -                              | -                                       | -  |
| 586 / 589   | Custodial Activities             | -                                    | -                              | -                                       | -  |
| 581   | Other Uses                       | -                                    | -                              | -                                       | -  |
| Total Other Decreases in Fund Resources:            |                                  | 27,517                               | -                              | 75,000                                  | 11,685                                     |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                  | <b>82,669</b>                        | <b>85,215</b>                  | <b>(13,601)</b>                         | <b>(11,300)</b>                            |
| <b>Ending Cash and Investments</b>                  |                                  |                                      |                                |   |  |
| 5081000   | Reserved                         | -                                    | -                              | -                                       | -  |
| 5088000   | Unreserved                       | 269,559                              | 311,818                        | 130,555                                 | 46,837                                     |
| <b>Total Ending Cash and Investments</b>            |                                  | <b>269,559</b>                       | <b>311,818</b>                 | <b>130,555</b>                          | <b>46,837</b>                              |

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

|   |                                     | <b>203 LIMITED GO<br/>TAX BOND<br/>FUND</b> | <b>205 POLICE GO<br/>BOND FUND</b> | <b>207 LID<br/>GUARANTY<br/>AND BOND</b> | <b>301 CAPITAL<br/>PROJECT FUND<br/>- REET 1</b> |
|---|-------------------------------------|---|------------------------------------|--|--|
| <b>Beginning Cash and Investments</b>               |                                     |   |                                    |  |  |
| 30810   | Reserved                            | -   | -                                  | -  | -  |
| 30880   | Unreserved                          | 9,949                                       | 17,859                             | 409,539                                  | 73,418   |
| 388 / 588   | Prior Period Adjustments, Net       | -   | -                                  | -  | -  |
| <b>Revenues</b>                                     |                                     |   |                                    |  |  |
| 310   | Taxes                               | 80,720                                      | 31,493                             | -  | 93,333   |
| 320   | Licenses and Permits                | -   | -                                  | -  | -  |
| 330   | Intergovernmental Revenues          | -   | -                                  | -  | -  |
| 340   | Charges for Goods and Services      | -   | -                                  | -  | -  |
| 350   | Fines and Penalties                 | -   | -                                  | 3,343                                    | -  |
| 360   | Miscellaneous Revenues              | 1,290                                       | 362                                | 197,094                                  | 761  |
| Total Revenues:                                     |                                     | 82,010                                      | 31,856                             | 200,437                                  | 94,094   |
| <b>Expenditures</b>                                 |                                     |   |                                    |  |  |
| 510   | General Government                  | 300   | 300                                | 6,737                                    | -  |
| 520   | Public Safety                       | -   | -                                  | -  | -  |
| 530   | Utilities                           | -   | -                                  | -  | -  |
| 540   | Transportation                      | -   | -                                  | -  | -  |
| 550   | Natural and Economic<br>Environment | -   | -                                  | -  | -  |
| 560   | Social Services                     | -   | -                                  | -  | -  |
| 570   | Culture and Recreation              | -   | -                                  | -  | -  |
| Total Expenditures:                                 |                                     | 300   | 300                                | 6,737                                    | -  |
| Excess (Deficiency) Revenues over Expenditures:     |                                     | 81,710                                      | 31,555                             | 193,701                                  | 94,094   |
| <b>Other Increases in Fund Resources</b>            |                                     |   |                                    |  |  |
| 391-393, 596  | Debt Proceeds                       | -   | -                                  | -  | -  |
| 397   | Transfers-In                        | 75,000                                      | -                                  | -  | -  |
| 385   | Special or Extraordinary Items      | -   | -                                  | -  | -  |
| 386 / 389   | Custodial Activities                | -   | -                                  | -  | -  |
| 381, 395, 398                                       | Other Resources                     | -   | -                                  | -  | -  |
| Total Other Increases in Fund Resources:            |                                     | 75,000                                      | -                                  | -  | -  |
| <b>Other Decreases in Fund Resources</b>            |                                     |   |                                    |  |  |
| 594-595   | Capital Expenditures                | -   | -                                  | -  | -  |
| 591-593, 599  | Debt Service                        | 149,750                                     | 30,803                             | 283,823                                  | -  |
| 597   | Transfers-Out                       | -   | -                                  | -  | 75,000   |
| 585   | Special or Extraordinary Items      | -   | -                                  | -  | -  |
| 586 / 589   | Custodial Activities                | -   | -                                  | -  | -  |
| 581   | Other Uses                          | -   | -                                  | -  | -  |
| Total Other Decreases in Fund Resources:            |                                     | 149,750                                     | 30,803                             | 283,823                                  | 75,000   |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                     | <b>6,960</b>                                | <b>752</b>                         | <b>(90,122)</b>                          | <b>19,094</b>                                    |
| <b>Ending Cash and Investments</b>                  |                                     |   |                                    |  |  |
| 5081000   | Reserved                            | -   | -                                  | -  | -  |
| 5088000   | Unreserved                          | 16,909                                      | 18,612                             | 319,417                                  | 92,512   |
| <b>Total Ending Cash and Investments</b>            |                                     | <b>16,909</b>                               | <b>18,612</b>                      | <b>319,417</b>                           | <b>92,512</b>                                    |

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

|   |                                     | <b>302 CAPITAL<br/>PROJECT FUND<br/>- REET 2</b> | <b>303 STREET<br/>IMPROVEMENT<br/>FUND</b> | <b>305 PARK<br/>IMPROVEMENT<br/>FUND</b> | <b>400 UTILITY<br/>WATER FUND</b> |
|---|-------------------------------------|--|--|--|-----------------------------------|
| <b>Beginning Cash and Investments</b>               |                                     |  |  |  |                                   |
| 30810   | Reserved                            | -  | -  | -  | -                                 |
| 30880   | Unreserved                          | 135,169  | 21,400                                     | (57,127)                                 | 2,294,594                         |
| 388 / 588   | Prior Period Adjustments, Net       | -  | -  | -  | -                                 |
| <b>Revenues</b>                                     |                                     |  |  |  |                                   |
| 310   | Taxes                               | 93,333   | -  | -  | -                                 |
| 320   | Licenses and Permits                | -  | -  | -  | -                                 |
| 330   | Intergovernmental Revenues          | -  | 493,830                                    | 449,706                                  | 33,362                            |
| 340   | Charges for Goods and Services      | -  | -  | -  | 1,062,274                         |
| 350   | Fines and Penalties                 | -  | -  | -  | 11,350                            |
| 360   | Miscellaneous Revenues              | 1,895  | 2,250                                      | 1,350                                    | 110,922                           |
| Total Revenues:                                     |                                     | 95,228   | 496,080                                    | 451,056                                  | 1,217,908                         |
| <b>Expenditures</b>                                 |                                     |  |  |  |                                   |
| 510   | General Government                  | -  | -  | -  | 363                               |
| 520   | Public Safety                       | -  | -  | -  | -                                 |
| 530   | Utilities                           | -  | -  | -  | 851,053                           |
| 540   | Transportation                      | -  | -  | -  | -                                 |
| 550   | Natural and Economic<br>Environment | -  | -  | -  | -                                 |
| 560   | Social Services                     | -  | -  | -  | -                                 |
| 570   | Culture and Recreation              | -  | -  | -  | -                                 |
| Total Expenditures:                                 |                                     | -  | -  | -  | 851,416                           |
| Excess (Deficiency) Revenues over Expenditures:     |                                     | 95,228   | 496,080                                    | 451,056                                  | 366,492                           |
| <b>Other Increases in Fund Resources</b>            |                                     |  |  |  |                                   |
| 391-393, 596  | Debt Proceeds                       | -  | -  | -  | -                                 |
| 397   | Transfers-In                        | -  | 260,900                                    | 75,000                                   | 172,652                           |
| 385   | Special or Extraordinary Items      | -  | -  | -  | -                                 |
| 386 / 389   | Custodial Activities                | -  | -  | -  | -                                 |
| 381, 395, 398                                       | Other Resources                     | -  | -  | -  | 67,075                            |
| Total Other Increases in Fund Resources:            |                                     | -  | 260,900                                    | 75,000                                   | 239,727                           |
| <b>Other Decreases in Fund Resources</b>            |                                     |  |  |  |                                   |
| 594-595   | Capital Expenditures                | -  | 834,859                                    | 304,784                                  | 1,736,814                         |
| 591-593, 599  | Debt Service                        | -  | -  | -  | 298,514                           |
| 597   | Transfers-Out                       | 81,000   | -  | -  | 318,230                           |
| 585   | Special or Extraordinary Items      | -  | -  | -  | -                                 |
| 586 / 589   | Custodial Activities                | -  | -  | -  | -                                 |
| 581   | Other Uses                          | -  | -  | -  | -                                 |
| Total Other Decreases in Fund Resources:            |                                     | 81,000   | 834,859                                    | 304,784                                  | 2,353,558                         |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                     | <b>14,228</b>                                    | <b>(77,879)</b>                            | <b>221,272</b>                           | <b>(1,747,339)</b>                |
| <b>Ending Cash and Investments</b>                  |                                     |  |  |  |                                   |
| 5081000   | Reserved                            | -  | -  | -  | -                                 |
| 5088000   | Unreserved                          | 149,397  | (56,479)                                   | 164,145                                  | 547,258                           |
| <b>Total Ending Cash and Investments</b>            |                                     | <b>149,397</b>                                   | <b>(56,479)</b>                            | <b>164,145</b>                           | <b>547,258</b>                    |

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

|   |                                     | <b>401 UTILITY<br/>SEWER FUND</b> | <b>402 UTILITY<br/>GARBAGE<br/>FUND</b> | <b>406<br/>STORMWATER<br/>UTILITY FUND</b> |
|---|-------------------------------------|-----------------------------------|---|--|
| <b>Beginning Cash and Investments</b>               |                                     |                                   |   |  |
| 30810   | Reserved                            | -                                 | -                                       | -  |
| 30880   | Unreserved                          | 1,964,353                         | 320,004                                 | 106,090                                    |
| 388 / 588   | Prior Period Adjustments, Net       | -                                 | -                                       | -  |
| <b>Revenues</b>                                     |                                     |                                   |   |  |
| 310   | Taxes                               | -                                 | 18,298                                  | -  |
| 320   | Licenses and Permits                | -                                 | 3,863                                   | -  |
| 330   | Intergovernmental Revenues          | -                                 | 2,088                                   | -  |
| 340   | Charges for Goods and Services      | 1,374,747                         | 696,274                                 | 180,746                                    |
| 350   | Fines and Penalties                 | -                                 | -                                       | -  |
| 360   | Miscellaneous Revenues              | 253,649                           | 25,238                                  | 2,048                                      |
| Total Revenues:                                     |                                     | 1,628,396                         | 745,762                                 | 182,794                                    |
| <b>Expenditures</b>                                 |                                     |                                   |   |  |
| 510   | General Government                  | 363                               | -                                       | -  |
| 520   | Public Safety                       | -                                 | -                                       | -  |
| 530   | Utilities                           | 749,176                           | 666,945                                 | 131,794                                    |
| 540   | Transportation                      | -                                 | -                                       | -  |
| 550   | Natural and Economic<br>Environment | -                                 | -                                       | -  |
| 560   | Social Services                     | -                                 | -                                       | -  |
| 570   | Culture and Recreation              | -                                 | -                                       | -  |
| Total Expenditures:                                 |                                     | 749,539                           | 666,945                                 | 131,794                                    |
| Excess (Deficiency) Revenues over Expenditures:     |                                     | 878,857                           | 78,816                                  | 51,000                                     |
| <b>Other Increases in Fund Resources</b>            |                                     |                                   |   |  |
| 391-393, 596  | Debt Proceeds                       | -                                 | -                                       | -  |
| 397   | Transfers-In                        | 172,652                           | -                                       | -  |
| 385   | Special or Extraordinary Items      | -                                 | -                                       | -  |
| 386 / 389   | Custodial Activities                | -                                 | -                                       | -  |
| 381, 395, 398                                       | Other Resources                     | -                                 | -                                       | -  |
| Total Other Increases in Fund Resources:            |                                     | 172,652                           | -                                       | -  |
| <b>Other Decreases in Fund Resources</b>            |                                     |                                   |   |  |
| 594-595   | Capital Expenditures                | 246,894                           | 21,194                                  | 2,406                                      |
| 591-593, 599  | Debt Service                        | 354,405                           | -                                       | -  |
| 597   | Transfers-Out                       | 309,480                           | 84,078                                  | 17,626                                     |
| 585   | Special or Extraordinary Items      | -                                 | -                                       | -  |
| 586 / 589   | Custodial Activities                | -                                 | -                                       | -  |
| 581   | Other Uses                          | -                                 | -                                       | -  |
| Total Other Decreases in Fund Resources:            |                                     | 910,779                           | 105,272                                 | 20,032                                     |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                     | <b>140,730</b>                    | <b>(26,456)</b>                         | <b>30,968</b>                              |
| <b>Ending Cash and Investments</b>                  |                                     |                                   |   |  |
| 5081000   | Reserved                            | -                                 | -                                       | -  |
| 5088000   | Unreserved                          | 2,105,084                         | 293,550                                 | 137,058                                    |
| <b>Total Ending Cash and Investments</b>            |                                     | <b>2,105,084</b>                  | <b>293,550</b>                          | <b>137,058</b>                             |

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

|   |                                  | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>001 GENERAL<br/>FUND</b> | <b>101 STREET<br/>FUND</b> | <b>103 CEMETERY<br/>FUND</b> |
|---|----------------------------------|--|-----------------------------|----------------------------|------------------------------|
| <b>Beginning Cash and Investments</b>                   |                                  |  |                             |                            |                              |
| 30810   | Reserved                         | 111,430  | -                           | -                          | 111,430                      |
| 30880   | Unreserved                       | 5,401,092                                      | 433,810                     | 14,419                     | 8,666                        |
| 388 & 588   | Prior Period Adjustments, Net    | -  | -                           | -                          | -                            |
| <b>Operating Revenues</b>                               |                                  |  |                             |                            |                              |
| 310   | Taxes                            | 1,855,618                                      | 1,443,087                   | 78,026                     | -                            |
| 320   | Licenses and Permits             | 194,535  | 189,572                     | 1,700                      | -                            |
| 330   | Intergovernmental Revenues       | 1,055,907                                      | 203,707                     | 98,301                     | -                            |
| 340   | Charges for Goods and Services   | 3,737,116                                      | 44,833                      | -                          | 43,299                       |
| 350   | Fines and Penalties              | 27,047   | 17,497                      | -                          | -                            |
| 360   | Miscellaneous Revenues           | 312,296  | 80,672                      | 148                        | 483                          |
| Total Operating Revenues:                               |                                  | 7,182,519                                      | 1,979,368                   | 178,175                    | 43,782                       |
| <b>Operating Expenditures</b>                           |                                  |  |                             |                            |                              |
| 510   | General Government               | 438,949  | 427,911                     | -                          | -                            |
| 520   | Public Safety                    | 1,067,289                                      | 1,067,289                   | -                          | -                            |
| 530   | Utilities                        | 2,284,028                                      | -                           | -                          | 31,078                       |
| 540   | Transportation                   | 179,761  | -                           | 179,761                    | -                            |
| 550   | Natural and Economic Environment | 208,059  | 208,059                     | -                          | -                            |
| 560   | Social Services                  | 1,327  | 1,327                       | -                          | -                            |
| 570   | Culture and Recreation           | 80,327   | 80,327                      | -                          | -                            |
| 598   | Miscellaneous Expenses           | -  | -                           | -                          | -                            |
| Total Operating Expenditures:                           |                                  | 4,259,740                                      | 1,784,913                   | 179,761                    | 31,078                       |
| Net Operating Increase (Decrease):                      |                                  | 2,922,779                                      | 194,455                     | (1,586)                    | 12,704                       |
| <b>Nonoperating Revenues</b>                            |                                  |  |                             |                            |                              |
| 370-380, 395 & 398                                      | Other Financing Sources          | 1,256,737                                      | 5,826                       | -                          | -                            |
| 391-393   | Debt Proceeds                    | -  | -                           | -                          | -                            |
| 397   | Transfers-In                     | 944,010  | 197,610                     | 22,500                     | -                            |
| Total Nonoperating Revenues:                            |                                  | 2,200,747                                      | 203,436                     | 22,500                     | -                            |
| <b>Nonoperating Expenditures</b>                        |                                  |  |                             |                            |                              |
| 580, 596 & 599  | Other Financing Uses             | 312  | 312                         | -                          | -                            |
| 591-593   | Debt Service                     | 932,011  | -                           | -                          | -                            |
| 594-595   | Capital Expenditures             | 1,997,692                                      | 28,891                      | 3,641                      | -                            |
| 597   | Transfers-Out                    | 835,010  | 3,000                       | 3,500                      | 500                          |
| Total Nonoperating Expenditures:                        |                                  | 3,765,024                                      | 32,203                      | 7,141                      | 500                          |
| <b>Net Increase (Decrease) in Cash and Investments:</b> |                                  | <b>1,358,502</b>                               | <b>365,688</b>              | <b>13,773</b>              | <b>12,204</b>                |
| <b>Ending Cash and Investments</b>                      |                                  |  |                             |                            |                              |
| 5081000   | Reserved                         | 113,444  | -                           | -                          | 113,444                      |
| 5088000   | Unreserved                       | 6,757,582                                      | 799,499                     | 28,194                     | 18,855                       |
| <b>Total Ending Cash and Investments</b>                |                                  | <b>6,871,027</b>                               | <b>799,499</b>              | <b>28,194</b>              | <b>132,299</b>               |

*The accompanying notes are an integral part of this statement.*



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

|   |                                  | <b>104 CR<br/>EQUIPMENT<br/>FUND</b> | <b>108 IMPACT<br/>FEE FUND</b> | <b>112 PARK<br/>IMPACT FEE<br/>FUND</b> | <b>117 TIMBER<br/>RIDGE<br/>SETTLEMENT</b> |
|---|----------------------------------|--------------------------------------|--------------------------------|---|--|
| <b>Beginning Cash and Investments</b>                   |                                  |                                      |                                |   |  |
| 30810   | Reserved                         | -                                    | -                              | -                                       | -  |
| 30880   | Unreserved                       | 130,382                              | 29,956                         | 75,685                                  | 304,115                                    |
| 388 & 588   | Prior Period Adjustments, Net    | -                                    | -                              | -                                       | -  |
| <b>Operating Revenues</b>                               |                                  |                                      |                                |   |  |
| 310   | Taxes                            | -                                    | -                              | -                                       | -  |
| 320   | Licenses and Permits             | -                                    | -                              | -                                       | -  |
| 330   | Intergovernmental Revenues       | -                                    | -                              | -                                       | -  |
| 340   | Charges for Goods and Services   | -                                    | 195,820                        | 142,945                                 | -  |
| 350   | Fines and Penalties              | -                                    | -                              | -                                       | -  |
| 360   | Miscellaneous Revenues           | 682                                  | 827                            | 526                                     | 212  |
| Total Operating Revenues:                               |                                  | 682                                  | 196,647                        | 143,471                                 | 212  |
| <b>Operating Expenditures</b>                           |                                  |                                      |                                |   |  |
| 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):                      |                                  | 682                                  | 196,647                        | 143,471                                 | 212  |
| <b>Nonoperating Revenues</b>                            |                                  |                                      |                                |   |  |
| 370-380, 395 & 398                                      | Other Financing Sources          | -                                    | -                              | -                                       | -  |
| 391-393   | Debt Proceeds                    | -                                    | -                              | -                                       | -  |
| 397   | Transfers-In                     | 90,500                               | -                              | -                                       | -  |
| Total Nonoperating Revenues:                            |                                  | 90,500                               | -                              | -                                       | -  |
| <b>Nonoperating Expenditures</b>                        |                                  |                                      |                                |   |  |
| 580, 596 & 599  | Other Financing Uses             | -                                    | -                              | -                                       | -  |
| 591-593   | Debt Service                     | -                                    | -                              | -                                       | -  |
| 594-595   | Capital Expenditures             | 34,674                               | -                              | -                                       | 246,191                                    |
| 597   | Transfers-Out                    | -                                    | -                              | 75,000                                  | -  |
| Total Nonoperating Expenditures:                        |                                  | 34,674                               | -                              | 75,000                                  | 246,191                                    |
| <b>Net Increase (Decrease) in Cash and Investments:</b> |                                  | <b>56,508</b>                        | <b>196,647</b>                 | <b>68,471</b>                           | <b>(245,979)</b>                           |
| <b>Ending Cash and Investments</b>                      |                                  |                                      |                                |   |  |
| 5081000   | Reserved                         | -                                    | -                              | -                                       | -  |
| 5088000   | Unreserved                       | 186,890                              | 226,603                        | 144,156                                 | 58,136                                     |
| <b>Total Ending Cash and Investments</b>                |                                  | <b>186,890</b>                       | <b>226,603</b>                 | <b>144,156</b>                          | <b>58,136</b>                              |

*The accompanying notes are an integral part of this statement.*

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

|   |                                  | <b>203 LIMITED GO<br/>TAX BOND<br/>FUND</b> | <b>205 POLICE GO<br/>BOND FUND</b> | <b>207 LID<br/>GUARANTY<br/>AND BOND</b> | <b>301 CAPITAL<br/>PROJECT FUND<br/>- REET 1</b> |
|---|----------------------------------|---|------------------------------------|--|--|
| <b>Beginning Cash and Investments</b>                   |                                  |   |                                    |  |  |
| 30810   | Reserved                         | -   | -                                  | -  | -  |
| 30880   | Unreserved                       | 10,358                                      | 18,263                             | 313,785                                  | 19,057   |
| 388 & 588   | Prior Period Adjustments, Net    | -   | -                                  | -  | -  |
| <b>Operating Revenues</b>                               |                                  |   |                                    |  |  |
| 310   | Taxes                            | 115,304                                     | 31,682                             | -  | 84,093   |
| 320   | Licenses and Permits             | -   | -                                  | -  | -  |
| 330   | Intergovernmental Revenues       | -   | -                                  | -  | -  |
| 340   | Charges for Goods and Services   | -   | -                                  | -  | -  |
| 350   | Fines and Penalties              | -   | -                                  | -  | -  |
| 360   | Miscellaneous Revenues           | 36  | 65                                 | 183,700                                  | 268  |
| Total Operating Revenues:                               |                                  | 115,340                                     | 31,747                             | 183,700                                  | 84,361   |
| <b>Operating Expenditures</b>                           |                                  |   |                                    |  |  |
| 510   | General Government               | 479   | 479                                | 9,123                                    | -  |
| 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:                           |                                  | 479   | 479                                | 9,123                                    | -  |
| Net Operating Increase (Decrease):                      |                                  | 114,861                                     | 31,268                             | 174,577                                  | 84,361   |
| <b>Nonoperating Revenues</b>                            |                                  |   |                                    |  |  |
| 370-380, 395 & 398                                      | Other Financing Sources          | -   | -                                  | -  | -  |
| 391-393   | Debt Proceeds                    | -   | -                                  | -  | -  |
| 397   | Transfers-In                     | 30,000                                      | -                                  | -  | -  |
| Total Nonoperating Revenues:                            |                                  | 30,000                                      | -                                  | -  | -  |
| <b>Nonoperating Expenditures</b>                        |                                  |   |                                    |  |  |
| 580, 596 & 599  | Other Financing Uses             | -   | -                                  | -  | -  |
| 591-593   | Debt Service                     | 145,270                                     | 31,673                             | 78,823                                   | -  |
| 594-595   | Capital Expenditures             | -   | -                                  | -  | -  |
| 597   | Transfers-Out                    | -   | -                                  | -  | 30,000   |
| Total Nonoperating Expenditures:                        |                                  | 145,270                                     | 31,673                             | 78,823                                   | 30,000   |
| <b>Net Increase (Decrease) in Cash and Investments:</b> |                                  | <b>(409)</b>                                | <b>(405)</b>                       | <b>95,754</b>                            | <b>54,361</b>                                    |
| <b>Ending Cash and Investments</b>                      |                                  |   |                                    |  |  |
| 5081000   | Reserved                         | -   | -                                  | -  | -  |
| 5088000   | Unreserved                       | 9,949                                       | 17,859                             | 409,539                                  | 73,418   |
| <b>Total Ending Cash and Investments</b>                |                                  | <b>9,949</b>                                | <b>17,859</b>                      | <b>409,539</b>                           | <b>73,418</b>                                    |

*The accompanying notes are an integral part of this statement.*

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

|   |                                  | <b>302 CAPITAL<br/>PROJECT FUND<br/>- REET 2</b> | <b>303 STREET<br/>IMPROVEMENT<br/>FUND</b> | <b>305 PARK<br/>IMPROVEMENT<br/>FUND</b> | <b>400 UTILITY<br/>WATER FUND</b> |
|---|----------------------------------|--|--|--|-----------------------------------|
| <b>Beginning Cash and Investments</b>                   |                                  |  |  |  |                                   |
| 30810   | Reserved                         | -  | -  | -  | -                                 |
| 30880   | Unreserved                       | 50,583   | (95,934)                                   | 859                                      | 2,235,176                         |
| 388 & 588   | Prior Period Adjustments, Net    | -  | -  | -  | -                                 |
| <b>Operating Revenues</b>                               |                                  |  |  |  |                                   |
| 310   | Taxes                            | 84,093   | -  | -  | -                                 |
| 320   | Licenses and Permits             | -  | -  | -  | -                                 |
| 330   | Intergovernmental Revenues       | -  | 517,235                                    | -  | 36,203                            |
| 340   | Charges for Goods and Services   | -  | -  | -  | 1,077,873                         |
| 350   | Fines and Penalties              | -  | -  | -  | 9,550                             |
| 360   | Miscellaneous Revenues           | 493  | 78   | 40                                       | 11,572                            |
| Total Operating Revenues:                               |                                  | 84,586   | 517,313                                    | 40                                       | 1,135,198                         |
| <b>Operating Expenditures</b>                           |                                  |  |  |  |                                   |
| 510   | General Government               | -  | -  | -  | 479                               |
| 520   | Public Safety                    | -  | -  | -  | -                                 |
| 530   | Utilities                        | -  | -  | -  | 802,844                           |
| 540   | Transportation                   | -  | -  | -  | -                                 |
| 550   | Natural and Economic Environment | -  | -  | -  | -                                 |
| 560   | Social Services                  | -  | -  | -  | -                                 |
| 570   | Culture and Recreation           | -  | -  | -  | -                                 |
| 598   | Miscellaneous Expenses           | -  | -  | -  | -                                 |
| Total Operating Expenditures:                           |                                  | -  | -  | -  | 803,323                           |
| Net Operating Increase (Decrease):                      |                                  | 84,586   | 517,313                                    | 40                                       | 331,875                           |
| <b>Nonoperating Revenues</b>                            |                                  |  |  |  |                                   |
| 370-380, 395 & 398                                      | Other Financing Sources          | -  | -  | -  | 637,586                           |
| 391-393   | Debt Proceeds                    | -  | -  | -  | -                                 |
| 397   | Transfers-In                     | -  | 185,000                                    | 75,000                                   | 171,700                           |
| Total Nonoperating Revenues:                            |                                  | -  | 185,000                                    | 75,000                                   | 809,286                           |
| <b>Nonoperating Expenditures</b>                        |                                  |  |  |  |                                   |
| 580, 596 & 599  | Other Financing Uses             | -  | -  | -  | -                                 |
| 591-593   | Debt Service                     | -  | -  | -  | 300,453                           |
| 594-595   | Capital Expenditures             | -  | 584,978                                    | 133,026                                  | 482,786                           |
| 597   | Transfers-Out                    | -  | -  | -  | 298,503                           |
| Total Nonoperating Expenditures:                        |                                  | -  | 584,978                                    | 133,026                                  | 1,081,742                         |
| <b>Net Increase (Decrease) in Cash and Investments:</b> |                                  | <b>84,586</b>                                    | <b>117,335</b>                             | <b>(57,986)</b>                          | <b>59,419</b>                     |
| <b>Ending Cash and Investments</b>                      |                                  |  |  |  |                                   |
| 5081000   | Reserved                         | -  | -  | -  | -                                 |
| 5088000   | Unreserved                       | 135,169  | 21,400                                     | (57,127)                                 | 2,294,595                         |
| <b>Total Ending Cash and Investments</b>                |                                  | <b>135,169</b>                                   | <b>21,400</b>                              | <b>(57,127)</b>                          | <b>2,294,595</b>                  |

*The accompanying notes are an integral part of this statement.*

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

|   |                                  | <b>401 SEWER<br/>FUND</b> | <b>402 UTILITY<br/>GARBAGE<br/>FUND</b> | <b>406<br/>STORMWATER<br/>UTILITY FUND</b> |
|---|----------------------------------|---------------------------|---|--|
| <b>Beginning Cash and Investments</b>                   |                                  |                           |   |  |
| 30810   | Reserved                         | -                         | -                                       | -  |
| 30880   | Unreserved                       | 1,452,049                 | 309,070                                 | 90,793                                     |
| 388 & 588   | Prior Period Adjustments, Net    | -                         | -                                       | -  |
| <b>Operating Revenues</b>                               |                                  |                           |   |  |
| 310   | Taxes                            | -                         | 19,333                                  | -  |
| 320   | Licenses and Permits             | -                         | 3,263                                   | -  |
| 330   | Intergovernmental Revenues       | 196,583                   | 3,878                                   | -  |
| 340   | Charges for Goods and Services   | 1,339,570                 | 720,669                                 | 172,106                                    |
| 350   | Fines and Penalties              | -                         | -                                       | -  |
| 360   | Miscellaneous Revenues           | 9,926                     | 22,176                                  | 393  |
| Total Operating Revenues:                               |                                  | 1,546,079                 | 769,319                                 | 172,499                                    |
| <b>Operating Expenditures</b>                           |                                  |                           |   |  |
| 510   | General Government               | 479                       | -                                       | -  |
| 520   | Public Safety                    | -                         | -                                       | -  |
| 530   | Utilities                        | 658,542                   | 645,670                                 | 145,894                                    |
| 540   | Transportation                   | -                         | -                                       | -  |
| 550   | Natural and Economic Environment | -                         | -                                       | -  |
| 560   | Social Services                  | -                         | -                                       | -  |
| 570   | Culture and Recreation           | -                         | -                                       | -  |
| 598   | Miscellaneous Expenses           | -                         | -                                       | -  |
| Total Operating Expenditures:                           |                                  | 659,021                   | 645,670                                 | 145,894                                    |
| Net Operating Increase (Decrease):                      |                                  | 887,058                   | 123,649                                 | 26,605                                     |
| <b>Nonoperating Revenues</b>                            |                                  |                           |   |  |
| 370-380, 395 & 398                                      | Other Financing Sources          | 613,325                   | -                                       | -  |
| 391-393   | Debt Proceeds                    | -                         | -                                       | -  |
| 397   | Transfers-In                     | 171,700                   | -                                       | -  |
| Total Nonoperating Revenues:                            |                                  | 785,025                   | -                                       | -  |
| <b>Nonoperating Expenditures</b>                        |                                  |                           |   |  |
| 580, 596 & 599  | Other Financing Uses             | -                         | -                                       | -  |
| 591-593   | Debt Service                     | 375,792                   | -                                       | -  |
| 594-595   | Capital Expenditures             | 451,886                   | 29,912                                  | 1,707                                      |
| 597   | Transfers-Out                    | 332,103                   | 82,803                                  | 9,601                                      |
| Total Nonoperating Expenditures:                        |                                  | 1,159,780                 | 112,715                                 | 11,308                                     |
| <b>Net Increase (Decrease) in Cash and Investments:</b> |                                  | <b>512,302</b>            | <b>10,934</b>                           | <b>15,297</b>                              |
| <b>Ending Cash and Investments</b>                      |                                  |                           |   |  |
| 5081000   | Reserved                         | -                         | -                                       | -  |
| 5088000   | Unreserved                       | 1,964,353                 | 320,004                                 | 106,090                                    |
| <b>Total Ending Cash and Investments</b>                |                                  | <b>1,964,353</b>          | <b>320,004</b>                          | <b>106,090</b>                             |

*The accompanying notes are an integral part of this statement.*

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

|           |  | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>TREASURERS<br/>TRUST FUND</b> | <b>INVESTMENT<br/>FUND</b> |
|-----------|--|--|----------------------------------|----------------------------|
| 308       | Beginning Cash and Investments                   | 2,885  | 2,885                            | -                          |
| 388 & 588 | Prior Period Adjustments, Net                    | -  | -                                | -                          |
| 310-360   | Revenues   | 49,901   | -                                | 49,901                     |
| 380-390   | Other Increases and Financing Sources            | 14,859   | 14,859                           | -                          |
| 510-570   | Expenditures                                     | -  | -                                | -                          |
| 580-590   | Other Decreases and Financing Uses               | 64,381   | 14,480                           | 49,901                     |
|           | Net Increase (Decrease) in Cash and Investments: | 379  | 379                              | -                          |
| 508       | Ending Cash and Investments                      | 3,263  | 3,263                            | -                          |

*The accompanying notes are an integral part of this statement.*

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

|           |  | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>TREASURERS<br/>TRUST FUND</b> | <b>INVESTMENT<br/>FUND</b> |
|-----------|--|--|----------------------------------|----------------------------|
| 308       | Beginning Cash and Investments                   | 113,958  | 113,958                          | -                          |
| 388 & 588 | Prior Period Adjustments, Net                    | -  | -                                | -                          |
| 310-360   | Revenues   | 25,372   | -                                | 25,372                     |
| 380-390   | Other Increases and Financing Sources            | 16,266   | 16,266                           | -                          |
| 510-570   | Expenditures                                     | -  | -                                | -                          |
| 580-590   | Other Decreases and Financing Uses               | 152,711  | 127,339                          | 25,372                     |
|           | Net Increase (Decrease) in Cash and Investments: | (111,073)                                      | (111,073)                        | -                          |
| 508       | Ending Cash and Investments                      | 2,885  | 2,885                            | -                          |

*The accompanying notes are an integral part of this statement.*

**CITY OF SULTAN**  
**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2016**

**Note 1-Summary of Significant Accounting Policies**

The City of Sultan incorporated in 1905 and operates under the laws of the State of Washington applicable to a Code City with a Mayor/Council form of government.

The City is a general purpose government and provides public safety, health and social services, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a cemetery, sewer system, water system, stormwater system and garbage collection service. The City uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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.

### Debt Service Funds

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

### Capital Projects Funds

These funds account for financial resources which are 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 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.

Purchase of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation

## C. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level, except in the general fund, where expenditures are adopted at the department level. The budgets constitute 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. For reporting purposes, management funds have been combined into a single fund. The following funds have been combined:

General Fund combines managerial funds: 001, 100, 109, 113, 114 and 115  
 Water fund combines managerial funds: 400, 405, 409, 412, and 403 (50%)  
 Sewer fund combines managerial funds: 401, 404, 407, 413, and 403 (50%)  
 Stormwater fund combines managerial funds: 406, 410

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

| EXPENDITURES |                                    | 2016 BUDGET SUMMARY |                    |                    |                 |
|--------------|------------------------------------|---------------------|--------------------|--------------------|-----------------|
| Fund         | Fund Name                          | Budget              | Amended            | Actual             | Over/Under      |
| 001          | General Fund                       |                     |                    |                    |                 |
|              | Legislative                        | \$19,280            | \$19,280           | \$32,002           | (\$12,722)      |
|              | Executive                          | \$64,577            | \$64,577           | \$66,625           | (\$2,048)       |
|              | Finance/Administration             | \$98,635            | \$98,635           | \$94,160           | \$4,475         |
|              | Grants                             | \$30,171            | \$30,171           | \$42,157           | (\$11,986)      |
|              | Legal                              | \$41,843            | \$67,843           | \$94,951           | (\$27,108)      |
|              | Other Governmental                 | \$85,900            | \$85,900           | \$91,240           | (\$5,340)       |
|              | Law Enforcement                    | \$1,022,255         | \$1,022,255        | \$1,023,946        | (\$1,691)       |
|              | Law Enforcement - Court            | \$119,800           | \$119,800          | \$126,055          | (\$6,255)       |
|              | Emergency Management               | \$6,500             | \$6,500            | \$8,963            | (\$2,463)       |
|              | Code Enforcement                   | \$54,248            | \$54,248           | \$81,835           | (\$27,587)      |
|              | Planning/Community Development     | \$185,919           | \$185,919          | \$87,917           | \$98,002        |
|              | Building                           | \$103,709           | \$103,709          | \$104,654          | (\$945)         |
|              | Public Health                      | \$1,200             | \$1,200            | \$930              | \$270           |
|              | Library                            | \$6,500             | \$6,500            | \$5,931            | \$569           |
|              | Park/Recreation                    | \$91,540            | \$109,540          | \$120,514          | (\$10,974)      |
|              | Miscellaneous (Transfers Out)      | \$35,195            | \$35,195           | \$27,245           | \$7,950         |
|              | <b>Sub Total General Fund</b>      | <b>\$1,967,272</b>  | <b>\$2,011,272</b> | <b>\$2,009,125</b> | <b>\$2,147</b>  |
| 100          | General Fund Contingency           | \$0                 | \$0                | \$0                | \$0             |
| 109          | Community Improvement Fund         | \$1,500             | \$17,500           | \$12,333           | \$5,167         |
| 113          | Building Maintenance Fund          | \$34,987            | \$42,187           | \$39,534           | \$2,653         |
| 114          | Information Tech Fund (IT)         | \$38,500            | \$45,500           | \$40,792           | \$4,708         |
| 115          | Insurance Claim Fund               | \$0                 | \$4,305            | \$4,457            | (\$152)         |
|              | <b>Total General Funds</b>         | <b>\$2,042,259</b>  | <b>\$2,120,764</b> | <b>\$2,106,241</b> | <b>\$14,523</b> |
| 101          | Street Fund                        | \$198,224           | \$201,724          | \$203,673          | (\$1,949)       |
| 103          | Cemetery Fund                      | \$27,704            | \$30,704           | \$27,960           | \$2,744         |
| 104          | C.R. Equipment Fund                | \$20,000            | \$28,000           | \$27,517           | \$483           |
| 108          | Street Impact Fee Fund             | \$0                 | \$0                | \$0                | \$0             |
| 112          | Park Impact Fee Fund               | \$75,000            | \$75,000           | \$75,000           | \$0             |
|              | <b>Total Special Revenue Funds</b> | <b>\$320,928</b>    | <b>\$335,428</b>   | <b>\$334,150</b>   | <b>\$1,278</b>  |

## EXPENDITURES

## 2016 BUDGET SUMMARY

| Fund | Fund Name                           | Budget              | Amended             | Actual              | Over/Under         |
|------|-------------------------------------|---------------------|---------------------|---------------------|--------------------|
| 203  | Limited Tax Bond GO                 | \$150,150           | \$150,150           | \$150,050           | \$100              |
| 205  | Unlimited Tax GO Bond               | \$31,203            | \$31,203            | \$31,103            | \$100              |
| 207  | LID Guaranty Fund                   | \$289,000           | \$292,000           | \$290,559           | \$1,441            |
|      | <b>Total Debt Service Funds</b>     | <b>\$470,353</b>    | <b>\$473,353</b>    | <b>\$471,712</b>    | <b>\$1,641</b>     |
| 117  | Timber Ridge Settlement             | \$20,000            | \$20,000            | \$11,685            | \$8,315            |
| 301  | Capital Project Fund REET 1         | \$75,000            | \$75,000            | \$75,000            | \$0                |
| 302  | Capital Project Fund REET 2         | \$81,000            | \$81,000            | \$81,000            | \$0                |
| 303  | Street Improvement Fund             | \$492,200           | \$846,810           | \$834,859           | \$11,951           |
| 305  | Park Improvement Fund               | \$1,048,003         | \$1,048,003         | \$304,784           | \$743,219          |
|      | <b>Total Capital Project Funds</b>  | <b>\$1,716,203</b>  | <b>\$2,070,813</b>  | <b>\$1,307,328</b>  | <b>\$763,485</b>   |
| 400  | Utility Water Fund                  | \$1,210,913         | \$1,210,913         | \$1,183,555         | \$27,358           |
| 405  | C.R. Water Utility Fund             | \$509,000           | \$823,500           | \$823,500           | \$0                |
| 409  | Water System Improvement            | \$901,000           | \$1,791,300         | \$1,723,904         | \$67,396           |
| 412  | Water System Debt Fund              | \$125,864           | \$125,864           | \$125,864           | \$0                |
| 403  | Water/Sewer Revenue Bond Fund (50%) | \$172,850           | \$172,850           | \$173,013           | (\$163)            |
|      | <b>Total Water Funds</b>            | <b>\$2,919,627</b>  | <b>\$4,124,427</b>  | <b>\$4,029,836</b>  | <b>\$94,591</b>    |
| 401  | Utility Sewer Fund                  | \$1,323,333         | \$1,323,333         | \$1,257,616         | \$65,717           |
| 404  | C.R. Sewer Utility Fund             | \$486,133           | \$486,133           | \$465,400           | \$20,733           |
| 407  | Sewer System Improvement            | \$509,000           | \$509,000           | \$234,290           | \$274,710          |
| 413  | Sewer System Debt Fund              | \$181,757           | \$181,757           | \$181,756           | \$1                |
| 403  | Water/Sewer Revenue Bond Fund (50%) | \$172,850           | \$172,850           | \$173,012           | (\$162)            |
|      | <b>Total Sewer Funds</b>            | <b>\$2,673,073</b>  | <b>\$2,673,073</b>  | <b>\$2,312,071</b>  | <b>\$361,002</b>   |
| 402  | Utility Garbage Fund                | \$775,397           | \$775,397           | \$772,216           | \$3,181            |
|      | <b>Total Garbage Funds</b>          | <b>\$775,397</b>    | <b>\$775,397</b>    | <b>\$772,216</b>    | <b>\$3,181</b>     |
| 406  | Storm Water Utility                 | \$174,704           | \$174,704           | \$168,825           | \$5,879            |
| 410  | Stormwater System Improvement Fund  | \$0                 | \$0                 | \$0                 | \$0                |
|      | <b>Total Stormwater Funds</b>       | <b>\$174,704</b>    | <b>\$174,704</b>    | <b>\$168,825</b>    | <b>\$5,879</b>     |
| 621  | Cemetery Trust Fund                 | \$0                 | \$0                 | \$0                 | \$0                |
|      | <b>TOTAL ALL FUNDS</b>              | <b>\$11,092,544</b> | <b>\$12,747,959</b> | <b>\$11,502,382</b> | <b>\$1,245,577</b> |

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

The City amended the 2016 budget as follows:

**2016 BUDGET AMENDMENT SUMMARY**

| <b>Revenue</b>              | <b>ORIGINAL<br/>BUDGET</b> | <b>Ord 1250-16<br/>Amendment 1</b> | <b>Revised Budget</b> |
|-----------------------------|----------------------------|------------------------------------|-----------------------|
| Fund Name                   |                            |                                    |                       |
| 001 General Fund            | \$1,969,714                | \$44,000                           | \$2,013,714           |
| 101 Street Fund             | \$204,025                  | \$3,500                            | \$207,525             |
| 103 Cemetery                | \$27,704                   | \$3,000                            | \$30,704              |
| 501 Equipment Fund          | \$127,000                  | \$0                                | \$127,000             |
| 109 Community Fund          | \$1,500                    | \$16,000                           | \$17,500              |
| 113 Building Maintenance    | \$35,400                   | \$7,200                            | \$42,600              |
| 114 IT Fund                 | \$67,250                   | \$0                                | \$67,250              |
| 115 Insurance Claim Fund    | \$0                        | 7,800                              | \$7,800               |
| 207 LID Bond Fund           | \$289,000                  | \$3,000                            | \$292,000             |
| 303 Street Construction     | \$557,200                  | \$289,610                          | \$846,810             |
| 405 CR Water Fund           | \$509,000                  | \$314,500                          | \$823,500             |
| 409 Water Construction Fund | \$901,000                  | \$891,000                          | \$1,792,000           |
| <b>TOTALS</b>               | <b>\$4,688,793</b>         | <b>\$1,579,610</b>                 | <b>\$6,268,403</b>    |

| <b>Expenditures</b>         | <b>ORIGINAL<br/>BUDGET</b> | <b>Ord 1250-16<br/>Amendment 1</b> | <b>Revised Budget</b> |
|-----------------------------|----------------------------|------------------------------------|-----------------------|
| Fund Name                   |                            |                                    |                       |
| 001 General Fund            | \$1,967,272                | \$44,000                           | \$2,011,272           |
| 101 Street Fund             | \$198,224                  | \$3,500                            | \$201,724             |
| 103 Cemetery                | \$27,704                   | \$3,000                            | \$30,704              |
| 501 Equipment Fund          | \$20,000                   | \$8,000                            | \$28,000              |
| 109 Community Fund          | \$1,500                    | \$16,000                           | \$17,500              |
| 113 Building Maintenance    | \$34,987                   | \$7,200                            | \$42,187              |
| 114 IT Fund                 | \$38,500                   | \$7,000                            | \$45,500              |
| 115 Insurance Claim Fund    | \$0                        | \$4,305                            | \$4,305               |
| 207 LID Bond Fund           | \$289,000                  | \$3,000                            | \$292,000             |
| 303 Street Construction     | \$492,200                  | \$354,610                          | \$846,810             |
| 405 CR Water Fund           | \$509,000                  | \$314,500                          | \$823,500             |
| 409 Water Construction Fund | \$901,000                  | \$890,300                          | \$1,791,300           |
| <b>TOTALS</b>               | <b>\$4,479,387</b>         | <b>\$1,655,415</b>                 | <b>\$6,134,802</b>    |

**D. Cash and Investments**

See Note 3, *Deposits and Investments*.

#### E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### F. Compensated Absences

Vacation leave may be accumulated to a maximum of two years-worth of vacation leave based on the employee's current accrual rate and is payable upon separation or retirement. Upon separation or retirement employees are paid for unused vacation leave.

Sick leave may accumulate up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

Payments are recognized as expenditures when paid.

#### 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:

- Interfund Transfers In and Out
- Sales of Fixed Assets
- Insurance Recoveries

#### I. Risk Management

##### **Liability and Property**

The City is a member of the Cities Insurance Association of Washington. 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 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 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, 2016, there are 205 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime prevention, and liability, including general, automobile and wrong acts, 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 self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$1,718,302.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000 (\$10,000 for pumps and motors). 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 \$15,000 and is covered by the CIAW.

Members contract to remain in the pool for a minimum of one year, and must give notice before December 1 terminating participation the following December 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 contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended December 1, 2016 were 1,484,482.16.

### **Health and Welfare:**

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

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

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

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

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

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

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

#### 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 ordinance. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

The Ending Cash and Investments in the Cemetery Endowment Care fund in the amount of \$125,530 is for future maintenance of the cemetery. There are no restrictions for use of the funds.

#### **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 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 \$1.62 per \$1,000 on an assessed valuation of \$368,880,936 for a total regular levy of \$598,681.

In 2016, the city also levied \$ .083 per \$1,000 on an assessed valuation of \$367,030,316 for a total additional levy of \$30,803.

#### **Note 3– Deposits and Investments**

It is the city's policy to invest all 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, 2016 are as follows:

| <b><u>Type of Investment</u></b> | <b><u>City's Investments</u></b> |
|----------------------------------|----------------------------------|
| L.G.I.P.                         | \$ 1,128,139                     |
| Money Market Account             | \$ 95,429                        |
| Savings Account                  | \$ 5,705                         |
| US Bank Safekeeping Account      | \$ 3,682,785                     |
| <b>Total</b>                     | <b>\$ 4,912,058</b>              |

#### **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.



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

|         | Principal   | Interest    | Total       |
|---------|-------------|-------------|-------------|
| Years   |             |             |             |
| 2016    | 687,241     | 146,231     | 833,472     |
| 2017    | 464,565     | 130,607     | 595,172     |
| 2018    | 479,565     | 116,756     | 596,321     |
| 2019    | 230,868     | 105,989     | 336,857     |
| 2020    | 240,868     | 95,622      | 336,490     |
| 2021-34 | 2,051,455   | 1,293,718   | 3,345,173   |
|         |             |             |             |
| Totals  | \$4,154,562 | \$1,888,923 | \$6,043,485 |

### **Note 5 - Pension Plans**

Substantially all city full-time and qualifying part-time employees participate in following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

#### **Public Employees' Retirement System PERS 2 and PERS 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](http://www.drs.wa.gov)

At June 30, 2016 (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:

| <b>Plan</b> | <b>Allocation %</b> | <b>Liability (Asset)</b> |
|-------------|---------------------|--------------------------|
| PERS 1      | 0.0100210           | 653,175                  |
| PERS 2/3    | 0.012857            | \$647,340                |
| LEOFF 1     | 0.002463            | (\$25,376)               |

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 6 - Other Disclosures**

1. Water/Sewer bond fund is a combined fund for water and sewer system improvements. For reporting purposes, the fund split between the Water and Sewer department funds is 50/50 split for 2016.
2. The city has maintained an AA- bond rating on the new revenue bond issue.
3. The City received Conservation Futures funds to purchase property for a trail between Riverfront Park and Osprey Park. A total of \$16,050 was spent in 2016 to complete the purchase. An additional grant in the amount of \$200,000 will be received in 2017.
4. Joint Ventures: The City is involved in a joint operation with other governmental entities in the establishment and operation of SNOPAC. Control of the entity, by participating governmental entities, is by board representation. The purpose is to provide a consolidated public safety communications service to participating agencies. The City's contribution to the 800 MHZ system was approximately \$285,000 in 2007.

**CITY OF SULTAN**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Note 1-Summary of Significant Accounting Policies**

The City of Sultan incorporated in 1905 and operates under the laws of the State of Washington applicable to a Code City with a Mayor/Council form of government.

The City is a general purpose government and provides public safety, health and social services, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a cemetery, sewer system, water system, stormwater system and garbage collection service. The City uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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.

### Debt Service Funds

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

### Capital Projects Funds

These funds account for financial resources which are 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 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.

Purchase of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation

## C. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level, except in the general fund, where expenditures are adopted at the department level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. For reporting purposes, management funds have been combined into a single fund. The following funds have been combined:

General Fund combines managerial funds: 001, 100, 109, 113, 114 and 115  
 Water fund combines managerial funds: 400, 405, 409, 412, and 403 (50%)  
 Sewer fund combines managerial funds: 401, 404, 407, 413, and 403 (50%)  
 Stormwater fund combines managerial funds: 406, 410

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

| EXPENDITURES |                                    | 2015 BUDGET SUMMARY |                    |                    |                  |
|--------------|------------------------------------|---------------------|--------------------|--------------------|------------------|
| Fund         | Fund Name                          | Budget              | Amended            | Actual             | Over/Under       |
| 001          | General Fund                       |                     |                    |                    |                  |
|              | Legislative                        | \$16,708            | \$16,708           | \$18,396           | (\$1,688)        |
|              | Executive                          | \$62,650            | \$62,650           | \$60,754           | \$1,896          |
|              | Finance/Administration             | \$78,476            | \$78,476           | \$79,174           | (\$698)          |
|              | Grants                             | \$23,773            | \$23,773           | \$24,713           | (\$940)          |
|              | Legal                              | \$46,438            | \$58,438           | \$58,277           | \$161            |
|              | Other Governmental                 | \$79,803            | \$79,803           | \$87,735           | (\$7,932)        |
|              | Law Enforcement                    | \$989,129           | \$989,129          | \$997,531          | (\$8,402)        |
|              | Law Enforcement - Court            | \$71,600            | \$104,600          | \$105,488          | (\$888)          |
|              | Emergency Management               | \$5,985             | \$5,985            | \$6,005            | (\$20)           |
|              | Code Enforcement                   | \$57,858            | \$77,858           | \$74,293           | \$3,565          |
|              | Planning/Community Development     | \$168,572           | \$168,572          | \$72,451           | \$96,121         |
|              | Building                           | \$39,402            | \$54,402           | \$61,315           | (\$6,913)        |
|              | Public Health                      | \$1,000             | \$1,000            | \$1,327            | (\$327)          |
|              | Library                            | \$6,500             | \$6,500            | \$5,784            | \$716            |
|              | Park/Recreation                    | \$92,504            | \$92,504           | \$76,637           | \$15,867         |
|              | Miscellaneous (Transfers Out)      | \$15,798            | \$15,798           | \$15,798           | \$0              |
|              | <b>Sub Total General Fund</b>      | <b>\$1,756,196</b>  | <b>\$1,836,196</b> | <b>\$1,745,676</b> | <b>\$90,520</b>  |
| 100          | General Fund Contingency           | \$0                 | \$0                | \$0                | \$0              |
| 109          | Community Improvement Fund         | \$8,500             | \$362,240          | \$82,405           | \$279,835        |
| 113          | Building Maintenance Fund          | \$45,948            | \$92,896           | \$42,565           | \$50,331         |
| 114          | Information Tech Fund (IT)         | \$56,500            | \$56,500           | \$32,474           | \$24,026         |
| 115          | Insurance Claim Fund               | \$0                 | \$6,820            | \$9,791            | (\$2,971)        |
|              | <b>Total General Funds</b>         | <b>\$1,867,144</b>  | <b>\$2,354,652</b> | <b>\$1,912,912</b> | <b>\$441,740</b> |
| 101          | Street Fund                        | \$190,719           | \$213,219          | \$186,901          | \$26,318         |
| 103          | Cemetery Fund                      | \$28,007            | \$36,250           | \$31,579           | \$4,671          |
| 104          | C.R. Equipment Fund                | \$15,000            | \$46,000           | \$34,674           | \$11,326         |
| 108          | Street Impact Fee Fund             | \$53,200            | \$53,200           | \$0                | \$53,200         |
| 112          | Park Impact Fee Fund               | \$75,000            | \$75,000           | \$75,000           | \$0              |
|              | <b>Total Special Revenue Funds</b> | <b>\$361,926</b>    | <b>\$423,669</b>   | <b>\$328,154</b>   | <b>\$95,515</b>  |

## EXPENDITURES

## 2015 BUDGET SUMMARY

| Fund | Fund Name                           | Budget              | Amended             | Actual              | Over/Under         |
|------|-------------------------------------|---------------------|---------------------|---------------------|--------------------|
| 203  | Limited Tax Bond GO                 | \$145,575           | \$145,775           | \$145,749           | \$26               |
| 205  | Unlimited Tax GO Bond               | \$31,978            | \$32,178            | \$32,151            | \$27               |
| 207  | LID Guaranty Fund                   | \$284,125           | \$284,125           | \$87,946            | \$196,179          |
|      | <b>Total Debt Service Funds</b>     | <b>\$461,678</b>    | <b>\$462,078</b>    | <b>\$265,845</b>    | <b>\$196,233</b>   |
| 117  | Timber Ridge Settlement             | \$303,568           | \$303,568           | \$246,191           | \$57,377           |
| 301  | Capital Project Fund REET 1         | \$30,000            | \$30,000            | \$30,000            | \$0                |
| 302  | Capital Project Fund REET 2         | \$30,000            | \$30,000            | \$0                 | \$30,000           |
| 303  | Street Improvement Fund             | \$399,500           | \$724,500           | \$584,978           | \$139,522          |
| 305  | Park Improvement Fund               | \$399,600           | \$399,600           | \$133,026           | \$266,574          |
|      | <b>Total Capital Project Funds</b>  | <b>\$1,162,668</b>  | <b>\$1,487,668</b>  | <b>\$994,196</b>    | <b>\$493,472</b>   |
| 400  | Utility Water Fund                  | \$1,105,628         | \$1,135,628         | \$1,118,753         | \$16,875           |
| 405  | C.R. Water Utility Fund             | \$229,880           | \$229,880           | \$97,000            | \$132,880          |
| 409  | Water System Improvement Fund       | \$1,819,500         | \$1,819,500         | \$477,857           | \$1,341,643        |
| 412  | Water System Debt Fund              | \$129,478           | \$129,478           | \$129,007           | \$471              |
| 403  | Water/Sewer Revenue Bond Fund (50%) | \$171,796           | \$471,846           | \$471,844           | \$2                |
|      | <b>Total Water Funds</b>            | <b>\$3,456,282</b>  | <b>\$3,786,332</b>  | <b>\$2,294,461</b>  | <b>\$1,491,871</b> |
| 401  | Utility Sewer Fund                  | \$1,264,480         | \$1,264,480         | \$1,187,677         | \$76,803           |
| 404  | C.R. Sewer Utility Fund             | \$225,640           | \$358,000           | \$358,000           | \$0                |
| 407  | Sewer System Improvement Fund       | \$485,000           | \$650,000           | \$450,035           | \$199,965          |
| 413  | Sewer System Debt Fund              | \$204,979           | \$204,979           | \$204,346           | \$633              |
| 403  | Water/Sewer Revenue Bond Fund (50%) | \$171,796           | \$1,671,925         | \$1,672,925         | \$1,000            |
|      | <b>Total Sewer Funds</b>            | <b>\$2,351,895</b>  | <b>\$4,149,384</b>  | <b>\$3,872,983</b>  | <b>\$276,401</b>   |
| 402  | Utility Garbage Fund                | \$785,105           | \$785,105           | \$758,383           | \$26,722           |
|      | <b>Total Garbage Funds</b>          | <b>\$785,105</b>    | <b>\$785,105</b>    | <b>\$758,383</b>    | <b>\$26,722</b>    |
| 406  | Storm Water Utility                 | \$180,580           | \$180,580           | \$157,202           | \$23,378           |
| 410  | Stormwater System Improvement Fund  | \$0                 | \$0                 | \$0                 | \$0                |
|      | <b>Total Stormwater Funds</b>       | <b>\$180,580</b>    | <b>\$180,580</b>    | <b>\$157,202</b>    | <b>\$23,378</b>    |
| 621  | Cemetery Trust Fund                 | \$0                 |                     | \$0                 | \$0                |
|      | <b>TOTAL ALL FUNDS</b>              | <b>\$10,627,277</b> | <b>\$13,629,468</b> | <b>\$10,584,136</b> | <b>\$3,045,332</b> |

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

The City amended the 2015 budget as follows:

**2015 BUDGET AMENDMENT SUMMARY**

| <b>Revenue</b>           | <b>ORIGINAL<br/>BUDGET</b> | <b>Ord 1224-15<br/>Amendment 1</b> | <b>Revised Budget</b> |
|--------------------------|----------------------------|------------------------------------|-----------------------|
| Fund Name                |                            |                                    |                       |
| 001 General Fund         | \$1,792,955                | \$80,000                           | \$1,872,955           |
| 101 Street Fund          | \$190,719                  | \$22,500                           | \$213,219             |
| 103 Cemetery             | \$28,007                   | \$8,243                            | \$36,250              |
| 501 Equipment Fund       | \$75,500                   | \$0                                | \$75,500              |
| 109 Community Fund       | \$8,500                    | \$346,700                          | \$355,200             |
| 113 Building Maintenance | \$50,200                   | \$80,000                           | \$130,200             |
| 115 Insurance Claim Fund | \$0                        | \$6,820                            | \$6,820               |
| 203 GO Bond Fund         | \$145,575                  | \$200                              | \$145,775             |
| 205 Police Bond Fund     | \$31,978                   | \$200                              | \$32,178              |
| 303 Street Improvement   | \$455,500                  | \$354,616                          | \$810,116             |
| 400 Water Operating      | \$1,105,628                | \$30,000                           | \$1,135,628           |
| 403 Water/Sewer Bond     | \$344,100                  | \$1,800,180                        | \$2,144,280           |
| 404 Sewer Reserve        | \$225,640                  | \$174,360                          | \$400,000             |
| 407 Sewer Capital        | \$485,000                  | \$281,503                          | \$766,503             |
| <b>TOTALS</b>            | <b>\$4,939,302</b>         | <b>\$3,185,322</b>                 | <b>\$8,124,624</b>    |

| <b>Expenditures</b>      | <b>ORIGINAL<br/>BUDGET</b> | <b>Ord 1224-15<br/>Amendment 1</b> | <b>Revised Budget</b> |
|--------------------------|----------------------------|------------------------------------|-----------------------|
| Fund Name                |                            |                                    |                       |
| 001 General Fund         | \$1,756,196                | \$80,000                           | \$1,836,196           |
| 101 Street Fund          | \$190,719                  | \$22,500                           | \$213,219             |
| 103 Cemetery             | \$28,007                   | \$8,243                            | \$36,250              |
| 501 Equipment Fund       | \$15,000                   | \$31,000                           | \$46,000              |
| 109 Community Fund       | \$8,500                    | \$353,740                          | \$362,240             |
| 113 Building Maintenance | \$45,948                   | \$46,948                           | \$92,896              |
| 115 Insurance Claim Fund | \$0                        | \$6,820                            | \$6,820               |
| 203 GO Bond Fund         | \$145,575                  | \$200                              | \$145,775             |
| 205 Police Bond Fund     | \$31,978                   | \$200                              | \$32,178              |
| 303 Street Improvement   | \$399,500                  | \$325,000                          | \$724,500             |
| 400 Water Operating      | \$1,105,628                | \$30,000                           | \$1,135,628           |
| 403 Water/Sewer Bond     | \$343,591                  | \$1,800,180                        | \$2,143,771           |
| 404 Sewer Reserve        | \$225,640                  | \$132,360                          | \$358,000             |
| 407 Sewer Capital        | \$485,000                  | \$165,000                          | \$650,000             |
| <b>TOTALS</b>            | <b>\$4,781,282</b>         | <b>\$3,002,191</b>                 | <b>\$7,783,473</b>    |

**D. Cash and Investments**

See Note 3, *Deposits and Investments*.

#### E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### F. Compensated Absences

Vacation leave may be accumulated to a maximum of two years worth of vacation leave based on the employee's current accrual rate and is payable upon separation or retirement. Upon separation or retirement employees are paid for unused vacation leave.

Sick leave may accumulate up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

Payments are recognized as expenditures when paid.

#### 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:

- Interfund Transfers In and Out
- Sales of Fixed Assets
- Insurance Recoveries

#### I. Risk Management

##### **Liability and Property**

The City is a member of the Cities Insurance Association of Washington. 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 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 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 coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime prevention, and liability, including general, automobile and wrong acts, 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 self insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$2,140,107.

Property insurance is subject to a per-occurrence self insured retention of \$25,000 (\$10,000 for pumps and motors). 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 \$15,000 and is covered by the CIAW.

Members contract to remain in the pool for a minimum of one year, and must give notice before December 1 terminating participation the following December 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 Canfield, which has contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended December 1, 2015 were \$627,702.49.

### **Health and Welfare:**

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

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

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.



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

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

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

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

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

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

#### 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 ordinance. 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 funds in the Cemetery Endowment Care fund in the amount of \$113,444.

#### **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 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 \$1.66 per \$1,000 on an assessed valuation of \$327,892,300 for a total regular levy of \$545,577.

In 2015, the city also levied \$ .097 per \$1,000 on an assessed valuation of \$325,890,620 for a total additional levy of \$31,673.

#### **Note 3– Deposits and Investments**

It is the city's policy to invest all 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:

| <b><u>Type of Investment</u></b> | <b><u>City's Investments</u></b> |
|----------------------------------|----------------------------------|
| L.G.I.P.                         | \$ 1,122,927                     |
| Money Market Account             | \$ 245,161                       |
| Savings Account                  | \$ 5,701                         |
| US Bank Safekeeping Account      | \$ 3,160,041                     |
| <b>Total</b>                     | <b>\$ 4,533,830</b>              |

#### **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 loans are as follows:

|         | Principal   | Interest    | Total       |
|---------|-------------|-------------|-------------|
| Years   |             |             |             |
| 2015    | 648,715     | 205,573     | 854,288     |
| 2016    | 687,241     | 146,231     | 833,472     |
| 2017    | 464,565     | 130,607     | 595,172     |
| 2018    | 479,565     | 116,756     | 596,321     |
| 2019    | 230,868     | 105,989     | 336,857     |
| 2020-24 | 1,077,324   | 420,595     | 1,497,919   |
| 2025-34 | 1,760,000   | 423,801     | 2,183,801   |
|         |             |             |             |
| Totals  | \$5,348,278 | \$1,549,552 | \$6,897,830 |

### **Note 5 - Pension Plans**

Substantially all city full-time and qualifying part-time employees participate in following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

#### **Public Employees' Retirement System PERS 2 and PERS 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](http://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:

| <b>Plan</b> | <b>Allocation %</b> | <b>Liability (Asset)</b> |
|-------------|---------------------|--------------------------|
| PERS 1      | 0.009650            | \$504,785                |
| PERS 2/3    | 0.012466            | \$445,417                |
| LEOFF 1     | 0.001035            | (\$12,474)               |

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 6 - Other Disclosures**

1. Water/Sewer bond fund is a combined fund for water and sewer system improvements. For reporting purposes, the fund split between the Water and Sewer department funds is 50/50 split.
2. The city has maintained an AA- bond rating on the new bond issue.
3. In October 2015, the city approved a five year Collective Bargaining Agreement with the city's public works and clerical employees. The contract is effective January 1, 2015 to December 31, 2019.
4. Joint Ventures: The City is involved in a joint operation with other governmental entities in the establishment and operation of SNOPAC. Control of the entity, by participating governmental entities, is by board representation. The purpose is to provide a consolidated public safety communications service to participating agencies. The City's contribution to the 800 MHZ system was approximately \$285,000 in 2007.

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

| <b>ID. No.</b>   | <b>Description</b>                | <b>Due Date</b> | <b>Beginning Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending Balance</b> |
|--|-----------------------------------|-----------------|--------------------------|------------------|-------------------|-----------------------|
| <b>General Obligation Debt/Liabilities</b>                   |                                   |                 |                          |                  |                   |                       |
| 251.11   | LTGO Bond - Community Center      | 12/1/2018       | 420,000                  | -                | 130,000           | 290,000               |
| 251.12   | Unlimited Tax Bond - Police Bonds | 12/1/2024       | 220,000                  | -                | 20,000            | 200,000               |
| <b>Total General Obligation Debt/Liabilities:</b>            |                                   |                 | <b>640,000</b>           | <b>-</b>         | <b>150,000</b>    | <b>490,000</b>        |
| <b>Revenue and Other (non G.O.) Debt/Liabilities</b>         |                                   |                 |                          |                  |                   |                       |
| 252.11   | LTGO Refunding                    | 12/1/2016       | 125,000                  | -                | 125,000           | -                     |
| 259.12   | Compensated Absence               |                 | 93,650                   | 84,424           | 79,811            | 98,263                |
| 263.82   | Sewer - PW596-791-056             | 11/1/2027       | 107,675                  | -                | 107,675           | -                     |
| 263.82   | Water - PW02-691-PRE 119          | 7/1/2022        | 112,060                  | -                | 16,009            | 96,051                |
| 263.82   | Water - SRF PW 9778897 076        | 7/20/2018       | 171,442                  | -                | 57,147            | 114,295               |
| 263.82   | Water - PW 98-791-063             | 5/1/2018        | 124,652                  | -                | 41,550            | 83,102                |
| 263.82   | Sewer - PW 04-691-064             | 5/1/2024        | 628,736                  | -                | 69,859            | 558,877               |
| 263.82   | Water/Sewer Revenue Bonds         | 12/1/2033       | 2,795,000                | -                | 120,000           | 2,675,000             |
| 264.30   | Net Pension Liability             |                 | 950,202                  | 235,313          | -                 | 1,185,515             |
| <b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>  |                                   |                 | <b>5,108,417</b>         | <b>319,737</b>   | <b>617,051</b>    | <b>4,811,103</b>      |
| <b>Assessment Debt/Liabilities (with commitments)</b>        |                                   |                 |                          |                  |                   |                       |
| 253.11   | Sewer - LID 97-1                  | 2/15/2023       | 1,435,000                | -                | 205,000           | 1,230,000             |
| <b>Total Assessment Debt/Liabilities (with commitments):</b> |                                   |                 | <b>1,435,000</b>         | <b>-</b>         | <b>205,000</b>    | <b>1,230,000</b>      |
| <b>Total Liabilities:</b>                                    |                                   |                 | <b>7,183,417</b>         | <b>319,737</b>   | <b>972,051</b>    | <b>6,531,103</b>      |

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

| <b>ID. No.</b>   | <b>Description</b>                | <b>Due Date</b> | <b>Beginning Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending Balance</b> |
|--|-----------------------------------|-----------------|--------------------------|------------------|-------------------|-----------------------|
| <b>General Obligation Debt/Liabilities</b>                   |                                   |                 |                          |                  |                   |                       |
| 251.11   | LTGO Bond - Community Center      | 12/1/2018       | 540,000                  | -                | 120,000           | 420,000               |
| 251.12   | Unlimited Tax Bond - Police Bonds | 12/1/2024       | 240,000                  | -                | 20,000            | 220,000               |
| <b>Total General Obligation Debt/Liabilities:</b>            |                                   |                 | <b>780,000</b>           | <b>-</b>         | <b>140,000</b>    | <b>640,000</b>        |
| <b>Revenue and Other (non G.O.) Debt/Liabilities</b>         |                                   |                 |                          |                  |                   |                       |
| 252.11   | LTGO Refunding                    | 12/1/2016       | 245,000                  | -                | 120,000           | 125,000               |
| 259.12   | Compensated Absence               |                 | 91,594                   | 77,283           | 75,227            | 93,650                |
| 263.82   | Sewer - PW596-791-056             | 11/1/2027       | 215,351                  | -                | 107,676           | 107,675               |
| 263.82   | Water - PW02-691-PRE 119          | 7/1/2022        | 128,069                  | -                | 16,009            | 112,060               |
| 263.82   | Water - SRF PW 9778897 076        | 7/20/2018       | 228,589                  | -                | 57,147            | 171,442               |
| 263.82   | Water - PW 98-791-063             | 5/1/2018        | 166,202                  | -                | 41,550            | 124,652               |
| 263.82   | Storm - DOELO 10034               | 2/15/2025       | 21,473                   | -                | 21,473            | -                     |
| 263.82   | Sewer - PW 04-691-064             | 5/1/2024        | 698,595                  | -                | 69,859            | 628,736               |
| 263.82   | Water/Sewer Revenue Bonds         | 12/1/2033       | 2,870,000                | -                | 75,000            | 2,795,000             |
| 264.30   | Net Pension Liability             |                 | -                        | 950,202          | -                 | 950,202               |
| <b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>  |                                   |                 | <b>4,664,873</b>         | <b>1,027,485</b> | <b>583,941</b>    | <b>5,108,417</b>      |
| <b>Assessment Debt/Liabilities (with commitments)</b>        |                                   |                 |                          |                  |                   |                       |
| 253.11   | Sewer - LID 97-1                  | 2/15/2023       | 1,435,000                | -                | -                 | 1,435,000             |
| <b>Total Assessment Debt/Liabilities (with commitments):</b> |                                   |                 | <b>1,435,000</b>         | <b>-</b>         | <b>-</b>          | <b>1,435,000</b>      |
| <b>Total Liabilities:</b>                                    |                                   |                 | <b>6,879,873</b>         | <b>1,027,485</b> | <b>723,941</b>    | <b>7,183,417</b>      |

## 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                            | <a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a> |
| Main telephone                                     | (360) 902-0370   |
| Toll-free Citizen Hotline                          | (866) 902-3900   |
| Website  | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>                     |