



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Fife

For the period January 1, 2017 through December 31, 2017

Published September 27, 2018

Report No. 1022286





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

September 27, 2018

Mayor and City Council
City of Fife
Fife, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Fife's financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Fife January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Fife are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Fife January 1, 2017 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2016 - December 31, 2016	Report Ref. No.: 1019975	Finding Ref. No.: 2016-001
Finding Caption: City controls over financial reporting remain inadequate.		
Background: The City is responsible for designing, implementing and maintaining internal controls to ensure financial statements are prepared and fairly presented in accordance with <i>Budgeting, Accounting, and Reporting System (BARS) Cash Basis Manual</i> .		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <p><i>The City of Fife is committed to accurate reporting of all financial transactions and activities. In an effort to enhance the level of accurate reporting, three staff members, including the Assistant Finance Director and both City Accountants attended the Finance Essentials training class, sponsored by MRSC in November 2017. The training included information pertaining to cash basis financial reporting.</i></p> <p><i>The Assistant Finance Director took a more active role in the statement preparation process. In addition to conducting the overall review of the schedules, additional tasks included preparing the Schedule 01 and Notes to the Financial Statements. The change in the statement preparation process fostered collaborative dialog among staff which led to a deeper understanding of the City's financial statements and how the different schedules work together.</i></p> <p><i>The Assistant Finance Director worked with the SAO auditor and explained the City's unique accrual-to-cash accounting transactions. The City was able to demonstrate how the accrual-to-cash transactions effected the City's financial statements, and brought clarity to the City's financial accounting structure.</i></p> <p><i>The City appreciates SAO's willingness to engage with the City and explore solutions that may simplify the City's financial reporting in the future.</i></p>		

**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 Fife
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Fife
Fife, 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 Fife, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated September 18, 2018.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Fife
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Fife
Fife, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Fife, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

September 18, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Fife January 1, 2017 through December 31, 2017

Mayor and City Council
City of Fife
Fife, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Fife, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Fife 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 Fife, for the year ended December 31, 2017, 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 Fife, as of December 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is 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 September 18, 2018 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

September 18, 2018

FINANCIAL SECTION

City of Fife January 1, 2017 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General Fund	101 Street Operating Fund	103 Public Safety Fund - Photo Red Light
Beginning Cash and Investments					
30810	Reserved	2,709,487	5,900	-	-
30880	Unreserved	31,570,380	6,678,428	568,345	2,030,452
388 / 588	Prior Period Adjustments, Net	1,735,748	506,287	37,694	440,123
Revenues					
310	Taxes	16,174,287	14,520,381	-	-
320	Licenses and Permits	611,132	596,332	-	-
330	Intergovernmental Revenues	5,596,235	758,206	271,898	200,705
340	Charges for Goods and Services	16,123,562	1,801,776	57	-
350	Fines and Penalties	3,170,767	284,573	-	2,775,340
360	Miscellaneous Revenues	2,839,684	525,377	2,157	757,363
Total Revenues:		44,515,666	18,486,644	274,112	3,733,408
Expenditures					
510	General Government	4,977,812	4,054,067	-	162,806
520	Public Safety	9,129,379	6,626,934	-	1,908,039
530	Utilities	9,208,150	-	-	-
540	Transportation	1,765,400	660,886	607,053	61,836
550	Natural and Economic Environment	1,278,546	818,649	-	-
560	Social Services	2,622	2,622	-	-
570	Culture and Recreation	2,566,250	2,407,007	-	-
Total Expenditures:		28,928,159	14,570,166	607,053	2,132,682
Excess (Deficiency) Revenues over Expenditures:		15,587,507	3,916,479	(332,941)	1,600,726
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,806,706	520,000	335,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	369,722	2,000	-	-
Total Other Increases in Fund Resources:		5,176,427	522,000	335,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	10,194,402	110,435	26,843	882,088
591-593, 599	Debt Service	3,655,972	1,349	-	-
597	Transfers-Out	4,806,706	2,745,194	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	355,765	-	-	-
Total Other Decreases in Fund Resources:		19,012,845	2,856,977	26,843	882,088
Increase (Decrease) in Cash and Investments:		1,751,091	1,581,503	(24,784)	718,639
Ending Cash and Investments					
5081000	Reserved	1,102,834	-	-	-
5088000	Unreserved	36,663,868	8,772,115	581,254	3,189,213
Total Ending Cash and Investments		37,766,702	8,772,115	581,254	3,189,213

The accompanying notes are an integral part of this statement.

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		104	107 Criminal	108 D.A.R.E.	109 Impact &
		Stadium/Conve	Justice Fund	Fund	Mitigation Fund
		ntion Tax Fund			
Beginning Cash and Investments					
30810	Reserved	2,703,587	-	-	-
30880	Unreserved	-	181,813	6,053	1,614,670
388 / 588	Prior Period Adjustments, Net	34,180	12,140	-	-
Revenues					
310	Taxes	804,760	174,629	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	25,636	-	-
340	Charges for Goods and Services	-	56,118	-	128,439
350	Fines and Penalties	-	-	26	-
360	Miscellaneous Revenues	6,382	2,144	16	4,245
Total Revenues:		811,142	258,526	42	132,685
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	300,093	280	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	450,309	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	120,711	-	-	-
Total Expenditures:		571,020	300,093	280	-
Excess (Deficiency) Revenues over Expenditures:		240,122	(41,566)	(238)	132,684
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	19,643	-	-
Total Other Increases in Fund Resources:		-	19,643	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,875,055	-	-	319,518
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,875,055	-	-	319,518
Increase (Decrease) in Cash and Investments:		(1,634,933)	(21,923)	(238)	(186,834)
Ending Cash and Investments					
5081000	Reserved	1,102,834	-	-	-
5088000	Unreserved	-	172,029	5,815	1,427,836
Total Ending Cash and Investments		1,102,834	172,029	5,815	1,427,836

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		110 Drug Intervention Fund	111 Park Acquisition/Dev elop Fund	128 PD Misc Grants Fund	161 REET 1 Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	45,787	2,024,924	276,792	1,232,313
388 / 588	Prior Period Adjustments, Net	2,310	131,966	19,221	141,538
Revenues					
310	Taxes	-	112,743	-	561,774
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	8,892	1,164,000	192,483	-
340	Charges for Goods and Services	-	10,178	-	-
350	Fines and Penalties	3,927	-	-	-
360	Miscellaneous Revenues	65,378	24,051	-	4,095
Total Revenues:		78,196	1,310,971	192,483	565,869
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	50,819	-	158,639	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	38,531	-	-
Total Expenditures:		50,819	38,531	158,639	-
Excess (Deficiency) Revenues over Expenditures:		27,378	1,272,441	33,844	565,869
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,139,385	-	426,798
591-593, 599	Debt Service	1,701	-	-	-
597	Transfers-Out	-	-	-	234,281
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	19,643	-	307,000	-
Total Other Decreases in Fund Resources:		21,345	1,139,385	307,000	661,079
Increase (Decrease) in Cash and Investments:		6,033	133,056	(273,156)	(95,210)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	54,129	2,289,945	22,857	1,278,641
Total Ending Cash and Investments		54,129	2,289,945	22,857	1,278,641

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		209 LID Guarantee Fund	213 1997 Ltd G.O. Bond Fund	215 2011 Ltd G.O. Bond Fund	216 CLID #1 2013
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	952,097	283,162	-	650,747
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	8,639
360	Miscellaneous Revenues	2,580	361	-	513,025
Total Revenues:		2,580	361	-	521,664
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	551
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	551
Excess (Deficiency) Revenues over Expenditures:		2,580	361	-	521,113
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	384,375	669,375	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	384,375	669,375	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	389,875	669,375	770,954
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	389,875	669,375	770,954
Increase (Decrease) in Cash and Investments:		2,580	(5,139)	-	(249,841)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	954,677	278,023	-	400,906
Total Ending Cash and Investments		954,677	278,023	-	400,906

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		217 2014 Ltd GO Bond	301 Street Construction Fund	303 Rec & Ped Capital Facilities	305 Misc Capital Projects Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	273,377	160,129	1,136,549
388 / 588	Prior Period Adjustments, Net	-	98,074	-	19,046
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,966,166	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	434	5,272
Total Revenues:		-	2,966,166	434	5,272
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	9,588
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	9,588
Excess (Deficiency) Revenues over Expenditures:		-	2,966,166	434	(4,316)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	668,725	402,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	307,000
Total Other Increases in Fund Resources:		668,725	402,000	-	307,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	3,431,976	-	857,118
591-593, 599	Debt Service	668,725	-	-	2,522
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	29,122
Total Other Decreases in Fund Resources:		668,725	3,431,976	-	888,762
Increase (Decrease) in Cash and Investments:		-	(63,810)	434	(586,078)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	-	307,641	160,563	569,516
Total Ending Cash and Investments		-	307,641	160,563	569,516

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		401 Water Utility Fund	402 Sewer Utility Fund	404 Storm Drainage Utility	492 Detention Services
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	4,632,341	5,796,505	884,699	269,606
388 / 588	Prior Period Adjustments, Net	41,474	40,677	65,664	71,829
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	2,150	12,650	-	-
330	Intergovernmental Revenues	-	-	8,250	-
340	Charges for Goods and Services	5,105,763	6,470,918	1,336,181	19,015
350	Fines and Penalties	23,478	51,973	22,811	-
360	Miscellaneous Revenues	14,279	413,427	2,859	-
Total Revenues:		5,145,670	6,948,968	1,370,101	19,015
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	71,829
530	Utilities	3,643,284	4,783,648	780,667	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,643,284	4,783,648	780,667	71,829
Excess (Deficiency) Revenues over Expenditures:		1,502,386	2,165,320	589,434	(52,814)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	400,000	1,127,231	300,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	29,122	-	-
Total Other Increases in Fund Resources:		400,000	1,156,352	300,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	185,521	585,272	354,409	-
591-593, 599	Debt Service	52,814	1,098,656	-	-
597	Transfers-Out	466,367	928,745	432,118	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		704,703	2,612,674	786,527	-
Increase (Decrease) in Cash and Investments:		1,197,683	708,999	102,907	(52,814)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	5,871,499	6,546,179	1,053,270	288,621
Total Ending Cash and Investments		5,871,499	6,546,179	1,053,270	288,621

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		504 Fleet	513 Self Ins Employee Benefit	561 IT Services	566 IT Capital
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,561,872	309,720	-	-
388 / 588	Prior Period Adjustments, Net	73,525	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	368,701	70,735	637,333	58,346
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	495,005	744	-	325
Total Revenues:		863,706	71,479	637,333	58,671
Expenditures					
510	General Government	9,210	130,781	611,517	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	435,625	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		444,835	130,781	611,517	-
Excess (Deficiency) Revenues over Expenditures:		418,871	(59,302)	25,816	58,671
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	11,957	-	-	-
Total Other Increases in Fund Resources:		11,957	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	(17)	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		(17)	-	-	-
Increase (Decrease) in Cash and Investments:		430,845	(59,302)	25,816	58,671
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	2,066,241	250,419	25,816	58,671
Total Ending Cash and Investments		2,066,241	250,419	25,816	58,671

City of Fife
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		567 IT Replacement Non PD	568 IT PC Replacement PD
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	-	-
388 / 588	Prior Period Adjustments, Net	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	24,000	36,000
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	92	75
Total Revenues:		24,092	36,075
Expenditures			
510	General Government	9,430	-
520	Public Safety	-	12,746
530	Utilities	-	-
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		9,430	12,746
Excess (Deficiency) Revenues over Expenditures:		14,662	23,329
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	-
Increase (Decrease) in Cash and Investments:		14,662	23,329
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	14,661	23,330
Total Ending Cash and Investments		14,661	23,330

City of Fife
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	Agency
308	Beginning Cash and Investments	647,643	647,643
388 & 588	Prior Period Adjustment, Net	(91,584)	(91,584)
310-390	Additions	4,155,504	4,155,504
510-590	Deductions	4,466,275	4,466,275
	Net Increase (Decrease) in Cash and Investments:	(310,771)	(310,772)
508	Ending Cash and Investments	245,275	245,275

The accompanying notes are an integral part of this statement.

City of Fife
Notes to the Financial Statements
For the year ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fife was incorporated on February 11, 1957 and operates under the laws of the state of Washington applicable to a non-charter code city operating under the Council-Manager form of government as set forth in Chapter 35A.13 RCW. The City is a general purpose local government and provides police, municipal court, planning and community development, parks and recreation, street maintenance, water, sewer and storm drainage services, among its major services. Fife and emergency medical services are provided by a separate fire district through a contract with the City of Tacoma.

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.

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Budgets

The City adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Account	Fund Name	2017/2018 Revised Budget	2017/2018 Actual Expenditures	Variance
001	General Fund	37,283,858	16,090,665	21,193,193
101	City Street Fund	1,386,974	639,895	747,079
103	Public Safety Red Light	15,532,720	2,445,889	13,086,831
104	Stadium/Convention Tax	3,985,482	2,464,085	1,521,397
107	Criminal Justice	608,479	287,953	320,526
108	D.A.R.E	800	280	520
109	Impact & Mitigation	536,923	369,554	167,369
110	Drug Intervention	119,644	69,872	49,772
111	Parks Acquisition & Development	3,238,562	1,475,071	1,763,491
128	Miscellaneous Grants	451,200	446,418	4,782
132	Public Safety School Zone	465,600	232,800	232,800
161	REET 1	535,787	257,040	278,747
162	REET 2	820,000	266,864	553,136
181	Aquatics Services	2,346,196	1,124,418	1,221,778
213	1997 Bond	389,875	389,875	0
215	2011 Ltd. Bond	1,342,250	669,375	672,875
216	CLID #1 2013	1,336,256	771,505	564,751
217	2014 Ltd. G.O. Bond	1,645,945	668,725	977,220
301	Street Construction	15,896,435	3,567,319	12,329,116
302	66th Ave. LID Detail Fund	3,700,000	0	3,700,000
305	Misc. Capital Projects	4,122,343	966,614	3,155,729
401	Water Utility	9,381,914	4,073,030	5,308,884
402	Sewer Utility	11,907,584	5,682,984	6,224,600
404	Storm Drain Utility	2,559,863	1,191,738	1,368,125
405	Parity Bond	1,504,316	1,098,656	405,660
422	Sewer Capital Maintenance	75	75	0
426	Sewer Construction	4,712,000	596,972	4,115,028
436	Water Construction	5,588,700	302,614	5,286,086
446	Storm Construction	3,470,698	559,675	2,911,023
504	Fleet	1,234,467	385,202	849,265
513	Self-Ins Emp Benefits	400,000	130,781	269,219
561	IT Service	1,296,147	618,208	677,939
566	IT Capital	346,900	0	346,900
567	IT PC Replacement	44,540	9,430	35,110
568	IT PC Replacement PD	<u>72,648</u>	13,513	59,135
	Total All Funds	138,265,181	47,867,095	90,398,086

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

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000 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 up to 30 days, except for exempt employees who may accumulate above that maximum but must reduce the balance to 30 days by the next January 1. Upon separation from City service, employees will be paid up to a maximum of 30 days, except exempt employees who may be paid for up to 60 days.

Sick Leave may be accumulated up to 1,600 hours. The Police Guild Commissioned and Non-Commissioned may accumulate up to 100 days or 800 hours. Upon separation or retirement employees receive payment for unused sick leave up to 1,600 hours. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 6, *Debt Service Requirements*.

H. Reserved Fund Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts. Reserved Cash & Investments are used for reserves for petty cash, debt service and capital purposes.

NOTE 2 – RISK MANAGEMENT

Risk Management

The City is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregate sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel issues and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all state guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

Historical trends and other information are presented in the WCIA annual financial report. A copy of this report may be obtained by writing to:

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 historical cost. Investments by type at December 31, 2017 are as follows:

Type of Investment	City's Own Investments
Local Government Investment Pool	\$16,284,544
U.S. Government Securities	\$17,612,459
Other Key Bank Clearing	<u>\$2,984,628</u>
Total Investments	\$36,881,631

Derivatives

The City does not investment in derivatives or similar transactions.

NOTE 4 - 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 2017 was \$1.49 per \$1,000 on an assessed valuation of \$2,134,852,294 for a total regular levy of \$3,183,267. The City does not impose any excess levies for any purpose.

NOTE 5 - INTERFUND LOANS

The following table displays interfund loan activity during 2017:

Borrowing Fund	Lending Fund	Balance 1/1/2017	New Loans	Repayment s	Balance 12/31/17
Drug Intervention	Criminal Justice	328,012		19,643	308,369
Misc Grant Summary	Misc. Capital Projects	325,000		307,000	18,000
Street Construction	Misc. Capital Projects	1,473,000		0	1,473,000
Street Construction	Misc. Capital Projects	750,000		0	750,000
66th Ave. LID Detail Fund	Impact & Mitigation	500,000		0	500,000
Misc. Capital Projects	Sewer Utility	486,288		29,122	457,166
Total Interfund Loans		3,862,300	0	355,765	3,506,535

NOTE 6– DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2017.

The debt service requirements for general obligation bonds, revenue bonds and assessments are as follows:

General Obligation Bonds					Assessment Debt			
	Principal	Interest	Total			Principal	Interest	Total
2018	1,445,000	205,100	1,650,100		2018	48,943	143,413	192,357
2019	1,155,000	161,750	1,316,750		2019	48,943	167,515	216,459
2020	1,190,000	127,100	1,317,100		2020	48,943	167,273	216,217
2021	895,000	91,938	986,938		2021	48,943	167,031	215,975
2022	290,000	57,825	347,825		2022	48,943	166,789	215,733
2023-2027	1,270,000	122,700	1,392,700		2023-2027	244,717	830,318	1,075,035
2028-2032	0	0	0		2028-2032	2,972,216	495,977	3,468,193
2033-2037	0	0	0		2033-2037	0	0	0
	6,245,000	766,413	7,011,413			3,461,650	2,138,317	5,599,968
Revenue Bonds					Total Debt			
	Principal	Interest	Total			Principal	Interest	Total
2018	560,000	237,956	797,956		2018	2,053,943	586,470	2,640,413
2019	570,000	221,231	791,231		2019	1,773,943	550,496	2,324,440
2020	585,000	204,066	789,066		2020	1,823,943	498,439	2,322,383
2021	600,000	186,356	786,356		2021	1,543,943	445,326	1,989,269
2022	610,000	167,006	777,006		2022	948,943	391,621	1,340,564
2023-2027	2,555,000	577,879	3,132,879		2023-2027	4,069,717	1,530,896	5,600,613
2028-2032	1,355,000	70,959	1,425,959		2028-2032	4,327,216	566,937	4,894,153
2033-2037	0	0	0		2033-2037	0	0	0
	6,835,000	1,665,454	8,500,454			16,541,650	4,570,185	21,111,835

NOTE 7 – PENSION PLANS

A. State Sponsored Pension Plans

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

The City participates in the following plans:

PERS1
PERS 2/3
Public Safety ERS 2
LEOFF 1
LEOFF 2

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2017, the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	Allocation%	Liability (Asset)
PERS 1	0.055323%	2,625,120
PERS 2/3	0.061465%	2,135,615
PSERS 2	0.157624%	30,883
Total Net Pension Liability (Schedule 09)		4,791,618
LEOFF 1	0.008134%	(123,411)
LEOFF 2	0.109146%	(1,514,593)
Total Net Pension Assets		(1,638,004)

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Local Government Pension Plans

The City pays for postemployment benefits (other than pension) for employees that belong to LEOFF 1, a group of police officers hired on or before September 30, 1977. These benefits include minimum basic medical services defined in RCW 41.26.030(22) and additional medical services as directed by the LEOFF 1 local disability board. Six retirees received benefits during the year and \$70,322 was paid out.

NOTE 8 - OTHER DISCLOSURES

a) Cash Balances

The City's Municipal Court holds a separate bank account for judicial transactions. This account is included in the reported cash balances. As of December 31, 2017, the balance of this account was \$18,864.

b) Prior Period Adjustment

The City changed its method of accounting for how it previously reported beginning and ending cash balances. The net effect of the change was a prior period adjustment to Beginning Cash and Investments of \$1,735,748 on the Schedule C-4, and (91,584) on the schedule C-5.

c) Related Party Transactions and Joint Ventures

Transportation Benefit District (TBD): On June 21, 2016, the City Council adopted Ordinance No. 0002 establishing a budget for the City of Fife Transportation Benefit District (TBD) coextensive with the boundaries of the City. The TBD is an independent taxing district that is governed by a board composed of the seven members of the Fife City Council who serve in an independent capacity. The primary purpose of the District is to fund, construct, and provide transportation improvements within its boundaries.

City of Fife
Schedule of Liabilities
For the Year Ended December 31, 2017

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2005 Ltd G.O. & Rfnd	3/1/2017	375,000	-	375,000	-
251.11	2011 Ltd GO & Rfnd	12/1/2026	3,490,000	-	550,000	2,940,000
251.11	2014 Ltd GO & Rfnd	12/1/2021	3,855,000	-	550,000	3,305,000
Total General Obligation Debt/Liabilities:			7,720,000	-	1,475,000	6,245,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2018	1,197,339	-	206,204	991,135
252.12	2012 W/S Rfnd	1/1/2029	2,630,000	-	190,000	2,440,000
252.12	2014 Water/Sewer/StormD	10/1/2029	4,675,000	-	280,000	4,395,000
263.82	2014 PWTF PC13-961-021	12/1/2034	528,000	-	33,000	495,000
263.82	2014 PWTF PC13-961-031	12/1/2034	255,095	-	15,943	239,152
259.12	Comp Absences-Revenue	12/31/2018	102,556	2,308	-	104,864
264.30	Net Pension Liability		6,165,691	-	1,374,341	4,791,350
Total Revenue and Other (non G.O.) Debt/Liabilities:			15,553,681	2,308	2,099,488	13,456,501
Assessment Debt/Liabilities (with commitments)						
253.11	ULID 98-2 Rfnd	4/1/2024	370,000	-	370,000	-
253.11	CLID 2013 NonTaxable (+)	1/1/2030	3,202,499	-	475,000	2,727,499
Total Assessment Debt/Liabilities (with commitments):			3,572,499	-	845,000	2,727,499
Total Liabilities:			26,846,180	2,308	4,419,488	22,429,000

City of Fife
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2014-UM-WX- 0078	-	125,000	-	1,2,7
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	LA-8138	-	1,955,436	-	1,2,7
Total Highway Planning and Construction Cluster:				-	1,955,436	-	
Total Federal Awards Expended:				-	2,080,436	-	

City of Fife

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the cash basis of accounting.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the city's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for the State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 Prior Year Expenses Reported

Expenses from 2016 in the amount of \$78,644 are included in this total. With the Final Grant reconciliation expenses that were previously not reimbursed due to line items reaching their cap, were reimbursed during this process.

Note 7 – Indirect Cost Rate

The city has not elected to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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