



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

**Financial Statements Audit Report**  
**City of Ruston**

**For the period January 1, 2016 through December 31, 2017**

**Published December 27, 2018**

**Report No. 1022960**





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

December 27, 2018

Mayor and City Council  
City of Ruston  
Tacoma, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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

**City of Ruston  
January 1, 2016 through December 31, 2017**

Mayor and City Council  
City of Ruston  
Tacoma, 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 Ruston, as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 14, 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 audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

December 14, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Ruston January 1, 2016 through December 31, 2017

Mayor and City Council  
City of Ruston  
Tacoma, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Ruston, for the years ended December 31, 2017 and 2016 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 Ruston 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 Ruston, for the years ended December 31, 2017 and 2016 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 Ruston, as of December 31, 2017 and 2016, 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 conducted 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 14, 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

December 14, 2018

## **FINANCIAL SECTION**

### **City of Ruston January 1, 2016 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017  
Fund Resources and Uses Arising from Cash Transactions – 2016  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016  
Notes to Financial Statements – 2017  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2017  
Schedule of Liabilities – 2016

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 City Street Fund</b>	<b>301 Capital Construction Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	12,390	750	(181,147)	252,026
30880	Unreserved	3,213,587	1,778,022	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	925,435	778,189	68,961	68,960
320	Licenses and Permits	97,253	91,753	5,500	-
330	Intergovernmental Revenues	349,394	21,521	327,873	-
340	Charges for Goods and Services	1,899,350	439,163	-	-
350	Fines and Penalties	107,890	95,292	-	-
360	Miscellaneous Revenues	192,059	191,969	15	-
Total Revenues:		3,571,380	1,617,886	402,349	68,960
<b>Expenditures</b>					
510	General Government	555,126	524,548	4,368	4,368
520	Public Safety	818,235	818,235	-	-
530	Utilities	1,052,147	35	-	-
540	Transportation	53,059	-	53,059	-
550	Natural and Economic Environment	509,052	509,052	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	6,852	12	-	-
Total Expenditures:		2,994,470	1,851,882	57,427	4,368
Excess (Deficiency) Revenues over Expenditures:		576,909	(233,995)	344,921	64,592
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	5,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	5,124	5,124	-	-
381, 395, 398	Other Resources	123,010	123,010	-	-
Total Other Increases in Fund Resources:		133,135	128,135	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	223,163	146,040	69,596	-
591-593, 599	Debt Service	197,629	13,763	-	-
597	Transfers-Out	5,000	5,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	(154)	(154)	-	-
581	Other Uses	11,772	-	-	-
Total Other Decreases in Fund Resources:		437,411	164,649	69,596	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>272,633</b>	<b>(270,510)</b>	<b>275,325</b>	<b>64,592</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	433,612	750	94,179	316,618
5088000	Unreserved	3,064,999	1,507,511	-	-
<b>Total Ending Cash and Investments</b>		<b>3,498,611</b>	<b>1,508,261</b>	<b>94,179</b>	<b>316,618</b>

The accompanying notes are an integral part of this statement.

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

		<b>401 Electric Utility Fund</b>	<b>403 Sewer Utility Fund</b>	<b>405 Garbage Utility Fund</b>	<b>407 Storm Sewer Utility Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	(75,363)	-	-
30880	Unreserved	195,863	929,583	109,964	200,156
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	690,433	545,626	187,953	36,175
350	Fines and Penalties	8,839	2,894	864	-
360	Miscellaneous Revenues	128	(79)	-	-
Total Revenues:		699,401	548,442	188,817	36,175
<b>Expenditures</b>					
510	General Government	8,736	4,368	4,368	4,368
520	Public Safety	-	-	-	-
530	Utilities	655,144	214,017	160,781	22,169
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		663,881	218,386	165,149	26,537
Excess (Deficiency) Revenues over Expenditures:		35,520	330,056	23,668	9,638
<b>Other Increases in Fund Resources</b>					
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:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	7,528	-	-	-
591-593, 599	Debt Service	-	181,206	2,660	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	11,772	-
Total Other Decreases in Fund Resources:		7,528	181,206	14,432	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>27,992</b>	<b>148,850</b>	<b>9,236</b>	<b>9,638</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	(1,569)	-	-
5088000	Unreserved	223,855	1,004,639	119,200	209,794
<b>Total Ending Cash and Investments</b>		<b>223,855</b>	<b>1,003,070</b>	<b>119,200</b>	<b>209,794</b>

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

		<b>700 WR Rust Playfield Report On Fund</b>
		<hr/>
<b>Beginning Cash and Investments</b>		
30810	Reserved	16,124
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	9,325
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	25
Total Revenues:		<hr/> 9,350
<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	6,840
Total Expenditures:		<hr/> 6,840
Excess (Deficiency) Revenues over Expenditures:		<hr/> 2,510
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	5,000
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> 5,000
<b>Other Decreases in Fund Resources</b>		
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:		<hr/> -
<b>Increase (Decrease) in Cash and Investments:</b>		<hr/> <b>7,510</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	23,633
5088000	Unreserved	-
<b>Total Ending Cash and Investments</b>		<hr/> <b>23,633</b>

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 City Street Fund</b>	<b>301 Capital Construction Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	224,746	750	95,340	204,019
30880	Unreserved	3,423,029	2,130,145	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	766,354	662,765	51,794	51,794
320	Licenses and Permits	98,863	97,363	1,500	-
330	Intergovernmental Revenues	280,630	19,644	260,985	-
340	Charges for Goods and Services	1,459,492	178,347	-	-
350	Fines and Penalties	96,785	83,789	-	-
360	Miscellaneous Revenues	183,731	183,675	-	-
Total Revenues:		2,885,855	1,225,584	314,280	51,794
<b>Expenditures</b>					
510	General Government	530,998	504,488	3,787	3,787
520	Public Safety	682,637	682,637	-	-
530	Utilities	914,343	154	-	-
540	Transportation	59,595	-	59,595	-
550	Natural and Economic Environment	364,014	364,014	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	71	71	-	-
Total Expenditures:		2,551,658	1,551,365	63,382	3,787
Excess (Deficiency) Revenues over Expenditures:		334,197	(325,781)	250,897	48,007
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	76,923	76,923	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	113	113	-	-
381, 395, 398	Other Resources	23,890	23,890	-	-
Total Other Increases in Fund Resources:		100,926	100,926	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	656,996	105,528	527,385	-
591-593, 599	Debt Service	196,301	13,765	-	-
597	Transfers-Out	5,000	5,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	2,975	2,975	-	-
581	Other Uses	11,772	-	-	-
Total Other Decreases in Fund Resources:		873,044	127,268	527,385	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(437,921)</b>	<b>(352,123)</b>	<b>(276,488)</b>	<b>48,007</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	(3,734)	750	(181,147)	252,026
5088000	Unreserved	3,213,587	1,778,022	-	-
<b>Total Ending Cash and Investments</b>		<b>3,209,853</b>	<b>1,778,772</b>	<b>(181,147)</b>	<b>252,026</b>

The accompanying notes are an integral part of this statement.

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

		<b>401 Electric Utility Fund</b>	<b>403 Sewer Utility Fund</b>	<b>405 Garbage Utility Fund</b>	<b>407 Storm Sewer Utility Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	(75,363)	-	-
30880	Unreserved	219,670	798,255	84,334	190,625
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	561,697	507,369	179,726	32,353
350	Fines and Penalties	8,533	3,382	1,081	-
360	Miscellaneous Revenues	(6)	-	62	-
Total Revenues:		570,224	510,751	180,869	32,353
<b>Expenditures</b>					
510	General Government	7,574	3,787	3,787	3,787
520	Public Safety	-	-	-	-
530	Utilities	562,374	194,429	138,351	19,035
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		569,948	198,216	142,138	22,822
Excess (Deficiency) Revenues over Expenditures:		276	312,535	38,731	9,531
<b>Other Increases in Fund Resources</b>					
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:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	24,083	-	-	-
591-593, 599	Debt Service	-	181,206	1,330	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	11,772	-
Total Other Decreases in Fund Resources:		24,083	181,206	13,102	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(23,807)</b>	<b>131,329</b>	<b>25,629</b>	<b>9,531</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	(75,363)	-	-
5088000	Unreserved	195,863	929,583	109,964	200,156
<b>Total Ending Cash and Investments</b>		<b>195,863</b>	<b>854,220</b>	<b>109,964</b>	<b>200,156</b>

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

	<b>Agency</b>
308 Beginning Cash and Investments	102,184
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	27,210
510-590 Deductions	15,607
Net Increase (Decrease) in Cash and Investments:	11,603
508 Ending Cash and Investments	113,787

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



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

		<b>Total for All Funds (Memo Only)</b>	<b>622 W.r. Rust Playfield Imp. Fund</b>	<b>623 Electric Meter Deposit Fund</b>
308	Beginning Cash and Investments	106,433	10,193	96,240
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	9,890	9,890	-
380-390	Other Increases and Financing Sources	25,855	5,000	20,855
510-570	Expenditures	8,959	8,959	-
580-590	Other Decreases and Financing Uses	14,910	-	14,910
	Net Increase (Decrease) in Cash and Investments:	11,875	5,931	5,944
508	Ending Cash and Investments	118,308	16,124	102,184

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

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

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

The City of Ruston was incorporated on October 19, 1906, and operates under the laws of the state of Washington applicable to a non-chartered code city with a mayor – council form of government. The City is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administrative services. The City owns and operates electric, sewer, garbage, and storm drainage utility systems.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

**B. Basis of Accounting and Measurement Focus**

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

In accordance with state law, the City also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

**C. Budgets**

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

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

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

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenses</b>	<b>Variance</b>
001 - General Fund			
General Fund	1,180,900	1,717,974	(537,074)
Surplus Real Estate	2,214,432	5,000	2,209,432
Point Ruston Development		155,415	(155,415)
Baumgardner Development		10,669	(10,669)
Cumulative Reserve For Equip.	1,000	8,434	(7,434)
School Building Maint. Fund	264,200	119,038	145,162
Total 001 - General Fund	\$ 3,660,532	\$ 2,016,531	\$ 1,644,001
City Street Fund	145,600	70,470	75,130
Cumulative Reserve For Streets	108,000		108,000
Winnifred St. Project	1,000	56,553	(55,553)
Total 101 - City Street Fund	\$ 254,600	\$ 127,023	\$ 127,577
301 - Capital Construction Fund	\$ 258,000	\$ 4,368	\$ 253,632
Electric Utility Fund	601,300	663,881	(62,581)
Electric Utility Reserve Fund	227,060	7,528	219,532
Total 401 - Electric Utility Fund	\$ 828,360	\$ 671,408	\$ 156,952
Sewer Utility Fund	992,000	218,386	773,614
Cumul.res./sewer Equip&repairs	310,500		310,500
Sewer Debt Service Fund	182,000	181,206	794
Total 403 - Sewer Utility Fund	\$ 1,484,500	\$ 399,592	\$ 1,084,908
Garbage Utility Fund	262,200	172,649	89,551
Garbage Utility Reserve Fund	51,650		51,650
Total 405 - Garbage Utility Fund	\$ 313,850	\$ 172,649	\$ 141,201
407 - Storm Sewer Utility Fund	\$ 230,920	\$ 26,537	\$ 204,383
630 - Electric Meter Deposit Fund	\$ 105,980	\$ 15,607	\$ 90,373
700 - W.r. Rust Playfield Imp. Fund	\$ 29,401	\$ 6,840	\$ 22,561

Budgeted amounts are authorized to be transferred between (departments within any fund or 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.

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

The City over expended its Street fund during ongoing construction due to environmental issues that were initially discovered during work in 2016. The City paid all amounts over the initial TIB Grant used to fund the construction.

The City includes expected residual balances as part of its published budget. Developer Tracking funds include amounts invoiced to developers for payment as part of the permitting process of the City. Due to the uncertain nature of the timing of this work the City is not able to budget for these expenditures.

**D. Cash and Investments**

See Note 2, *Deposits and Investments*.

**E. Capital Assets**

The City did not have a capitalization policy in place in 2017. Capital assets and inventory are recorded as capital expenditures when purchased.

**F. Compensated Absences**

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Accumulations exceeding this limit may be approved by the Mayor, but must be used within one year.

Sick leave may be accumulated up to 224 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

Comp Time may be accumulated up to 80 hours, and is payable upon separation or retirement. Employees may buy out their comp time.

Payments are recognized as expenditures when paid. As of December 31, 2017 the amount of accrued but unpaid Compensated Absence liability is \$28,940

**G. Long-Term Debt**

See Note 4, *Debt Service Requirements*.

**H. 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 the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

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

Fund Name	Amount Reserved	Reason for Restriction
1	\$750	Drug Investigation cash for police department
101	\$94,179	Restricted due to source revenue (100% REET 1, MVFT, Grants
301	\$316,618	

**Note 2 – 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 fair market value. Investments by type at December 31, 2017 are as follows:

Type of Investment	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	Total
LGIP	\$ 2,808,673	\$ -	\$ 2,808,673

**Note 3 - Property Tax**

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

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

The City's regular levy for the year 2017 was \$2.228017014807 per \$1,000 on an assessed valuation of \$202,207,410 for a total regular levy of \$450,521.55.

**Note 4 - Interfund Loans**

The following table displays interfund loan activity during 2017:

Borrowing Fund	Lending Fund	Beginning Balance	Additions	Reductions	Ending Balance
405	005 (001)	\$ 42,912		\$ 11,772	\$ 31,140

**Note 5 – Debt Service Requirements**

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

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

The debt service requirements for revenue bonds and other debt are as follows:

Year	Principal	Interest	Total Debt Service
2018	\$ 73,058	\$ 121,914	\$ 194,971
2019	75,326	119,645	194,971
2020	77,666	117,305	194,971
2021	80,079	114,892	194,971
2022	68,801	112,405	181,206
2023-2027	377,906	528,124	906,030
2028-2032	441,284	464,746	906,030
2033-2037	515,290	390,740	906,030
2038-2042	601,708	304,322	906,030
2043-2047	702,618	203,412	906,030
2048-2052	820,452	85,578	906,030
2053-2057	85,930	1,343	87,273
Totals	\$ 3,920,118	\$ 2,564,426	\$ 6,484,544

**Note 6 – Pension Plans**

**A. State Sponsored Pension Plans**

Substantially all the City's 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 PERS 2 and 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](http://www.drs.wa.gov).

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

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2017 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Responsibility Percentage	Net Pension Liability	Net Pension Asset
PERS 1	\$ 7,909	\$ 4,745,078,000	0.001315%	\$ 62,389	
PERS 1 UAAL	7,358	4,745,078,000	0.001223%	58,046	
PERS 2/3	9,611	3,474,522,000	0.001573%	54,671	
LEOFF 1		(1,517,220,000)	0.000981%		(14,877)
LEOFF 2	9,460	(1,387,676,000)	0.005988%		(83,101)
VFFRPF	120	(37,100,000)	0.006000%		(20,802)
				\$ 175,106	\$ (118,779)

**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.

**Note 7 – Risk Management**

The City of Ruston (City) is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 99 municipalities/entities participate in the AWC RMSA pool.



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

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) and pollution liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2017, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

**Note 8 - Other Disclosures**

**Future Contingent Liabilities**

As part of the EPA Consent Decree relating to the ASARCO superfund site, ASARCO, and its assignor Point Ruston, agreed to undertake remediation of the Ruston Tunnel and other actions. The City has approved Point Ruston's remediation plans. The State Legislature has set aside funds to complete this project, and the City began this project in 2016. Work continued through 2017. The project is currently halted.

**Private Development**

The City of Ruston provides engineering, planning, and other development services to a number of private

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

developers engaged in work at Point Ruston, Stack Hill, and other areas within the City boundaries under a Master Development Plan Agreement. The City invoices these developers for services rendered. Several developers are currently carrying unpaid balances with the City. The City tracks these balances separately from the General Fund, but reports them as part of the General Fund for annual reporting purposes.

The City has agreed to mediation with one of the developers to resolve unpaid balances.

**Other Post-Employment Benefits**

The City has one (1) LEOFF 1 Retiree. The City maintains health insurance through AWC Benefits Trust for this individual. In 2015, the total cost for this plan was \$19,915.

**Subsequent Events**

The City of Ruston is currently in negotiations with the City of Fircrest to take over the City of Ruston's District Court administration.

**Legal Actions**

In 2014, a lawsuit was filed against the City of Ruston by Kye S. Barker and D-Song, LLC, owners of the Unicorn Bar and Grill. The suit alleges harassment by the City of Ruston, its Mayor, its police force, its Police Chief, and various police officers. The Plaintiff also alleges that the city has taken property by requiring the plaintiff to remove an outdoor sidewalk seating area that encroached on the City's Right-of-Way.

The City has coverage under its insurance policy from AWC, and AWC is currently defending the suit. As of May 29, 2017, the harassment and discrimination portion of the lawsuit have been dismissed, and as of May 29, 2018 the value impairment portion of the lawsuit has been dismissed. The Plaintiff's last appeal has been dismissed, excepting an appeal to the State Supreme court.

# City of Ruston

## MCAG #0624

### Notes to the Financial Statements

#### For the year ended December 31, 2016

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

The City of Ruston was incorporated on October 19, 1906, and operates under the laws of the state of Washington applicable to a non-chartered code city with a mayor – council form of government. The City is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administrative services. The City owns and operates electric, sewer, garbage, and storm drainage utility systems.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

#### A. Fund Accounting

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

#### GOVERNMENTAL FUND TYPES:

##### General Fund

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

##### Special Revenue Funds

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

### Capital Projects Funds

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

### PROPRIETARY FUND TYPES:

#### Enterprise Funds

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

### FIDUCIARY FUND TYPES:

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

#### Agency Funds

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

### B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the City also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

### C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
General Fund	1,348,398	1,236,777	111,621
Surplus Real Estate	2,667,407	5,000	2,662,407
Point Ruston Development		218,083	(218,083)
Commencement Development			
Baumgardner Development		31,044	(31,044)
Onward, LLC Development			
Affinity Investments			
Fraychineaud Building			
BNSF Tunnel			
Alex Koval		2,504	(2,504)
NorthSky - Pt. Ruston EE			
Cumulative Reserve For Equip.	9,730	7,318	2,412
School Building Maint. Fund	192,050	100,983	91,067
<b>Total 001 - General Fund</b>	<b>\$ 4,217,585</b>	<b>\$ 1,601,710</b>	<b>\$ 2,615,875</b>
City Street Fund	68,500	63,382	5,118
Cumulative Reserve For Streets	108,000		108,000
Winnifred St. Project	1,000	527,385	(526,385)
<b>Total 101 - City Street Fund</b>	<b>\$ 177,500</b>	<b>\$ 590,767</b>	<b>\$ (413,267)</b>
<b>301 - Capital Construction Fund</b>	<b>\$ 258,000</b>	<b>\$ 3,787</b>	<b>\$ 254,213</b>
Electric Utility Fund	555,300	569,948	(14,648)
Electric Utility Reserve Fund	251,000	24,083	226,917
<b>Total 401 - Electric Utility Fund</b>	<b>\$ 806,300</b>	<b>\$ 594,031</b>	<b>\$ 212,269</b>
Sewer Utility Fund	817,000	198,216	618,784
Cumul.res./sewer Equip&repairs	260,000		260,000
Sewer Debt Service Fund	182,000	181,206	794
<b>Total 403 - Sewer Utility Fund</b>	<b>\$ 1,259,000</b>	<b>\$ 379,422</b>	<b>\$ 879,578</b>
Garbage Utility Fund	269,400	142,138	127,262
Garbage Utility Reserve Fund	36,650		36,650
<b>Total 405 - Garbage Utility Fund</b>	<b>\$ 306,050</b>	<b>\$ 142,138</b>	<b>\$ 163,912</b>
<b>407 - Storm Sewer Utility Fund</b>	<b>\$ 223,000</b>	<b>\$ 22,822</b>	<b>\$ 200,178</b>
<b>622 - W.r. Rust Playfield Imp. Fund</b>	<b>\$ 24,921</b>	<b>\$ 8,959</b>	<b>\$ 15,962</b>
<b>623 - Electric Meter Deposit Fund</b>	<b>\$ 92,000</b>	<b>\$ 14,910</b>	<b>\$ 77,090</b>
<b>Totals</b>	<b>\$ 7,364,356</b>	<b>\$ 3,358,548</b>	<b>\$ 4,005,808</b>

Budgeted amounts are authorized to be transferred between departments within any fund or 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 overexpended its Street fund during recent construction due to environmental issues that were discovered during work. The City paid all amounts over the TIB Grant used to fund the construction. The City plans to seek additional funding in 2017 for its remediation work to cure the deficit balance.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

The City did not have a capitalization policy in place in 2016. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Accumulations exceeding this limit may be approved by the Mayor, but must be used within one year.

Sick leave may be accumulated up to 224 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

Comp Time may be accumulated up to 80 hours, and is payable upon separation or retirement. Employees may buy out their comp time.

Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

The City of Ruston is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 98 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA

provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

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

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

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

#### I. 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 the Ruston City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
001	\$ 750	Drug Investigation cash for police department
101	\$ (181,147)	Restricted due to source revenue (99.04% Restricted; REET 1, MVFT)
301	\$ 252,026	Restricted due to source revenue (100% Restricted; REET 2)

## **Note 2 - Property Tax**

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

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

The City's regular levy for the year 2016 was \$2.648107417582 per \$1,000 on an assessed valuation of \$157,935,124 for a total regular levy of \$418,229.17.

### **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 Fair Market Value. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	<u>Total</u>
Money Market Funds	2,301,585		2,301,585
U.S. Government Securities	479,353		479,353
<i>Total</i>	<i>\$ 2,780,938</i>		<i>\$ 2,780,938</i>

### **Note 4 – Debt Service Requirements**

#### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City debt transactions for year ended December 31, 2016.

The debt service requirements for revenue bonds and other secured debt are as follows:



Year	Principal	Interest	Total Deb
2017	70,856	124,115	194,971
2018	73,058	121,914	194,971
2019	75,326	119,645	194,971
2020	77,666	117,305	194,971
2021	80,079	114,892	194,971
2022-2026	366,368	539,662	906,030
2027-2031	427,810	478,220	906,030
2032-2036	499,557	406,473	906,030
2037-2041	583,336	322,694	906,030
2042-2046	681,166	224,864	906,030
2047-2051	795,402	110,628	906,030
2052-2056	263,681	8,128	271,809
	<u>\$ 3,994,304</u>	<u>\$ 2,688,541</u>	<u>\$ 6,682,845</u>

#### Debt Refunding

The City of Ruston did not issue any refunding bonds in 2016.

#### Debt Guarantees

In 2016, the City of Ruston had no new or ongoing guarantees of debt for any third party.

#### **Note 5 - Interfund Loans**

The following table displays interfund loan activity during 2016:

Borrowing fund	Lending fund	Balance 01/01/2016	New Loans	Repayments	Balance 12/31/2016
405	005 (001)	\$ 54,684	\$ -	\$ 11,772	\$ 42,912

#### **Note 6 – Pension Plans**

##### A. State Sponsored Pension Plans

Substantially all the City's 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 PERS 1, PERS 2/3, LEOFF 1, and 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](http://www.drs.wa.gov).

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.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:

Plan Type	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1	\$ 5,370,471,000	0.001874%	\$ 100,642.63	
PERS 1 UAAL	\$ 5,370,471,000	0.002322%	\$ 124,702.34	
PERS 2/3	\$ 5,034,921,000	0.003368%	\$ 169,576.14	
LEOFF 1	\$ (1,030,286,000)	0.000967%		\$ (9,962.87)
LEOFF 2	\$ (581,630,000)	0.006136%		\$(35,688.82)
VFFRPF		0.000080%	\$ -	\$(13,554.00)
			\$ 394,921	\$ (59,206)

#### 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.

### **Note 7 - Other Disclosures**

### Future Contingent Liabilities

As part of the EPA Consent Decree relating to the ASARCO superfund site, ASARCO, and its assignor Point Ruston, agreed to undertake remediation of the Ruston Tunnel and other actions. The City has approved Point Ruston's remediation plans. The State Legislature has set aside funds to complete this project, and the City began this project in 2016. Work continues through 2017.

The City encountered additional issues during the Ruston Tunnel work, causing a cost overrun in the Street Fund. The city overexpended its Streets budget in the remediation work. The City will seek additional funding to reimburse its expenses on the project.

### Private Development

The City of Ruston provides engineering, planning, and other development services to a number of private developers engaged in work at Point Ruston, Stack Hill, and other areas within the City boundaries under a Master Development Plan Agreement. The City invoices these developers for services rendered. Several developers are currently carrying unpaid balances with the City. The City tracks these balances separately from the General Fund, but reports them as part of the General Fund for annual reporting purposes. One of these developers is currently in multiple legal disputes with the City.

### Comprehensive Development Plan

The City is revising its Comprehensive Development Plan with regard to standardizing zoning codes across the City. This will include a city-wide re-zoning to improve efficiencies in applying planning and zoning requirements to properties within the city boundaries.

### Other Post-Employment Benefits

The City has one (1) LEOFF 1 Retiree. The City maintains health insurance through AWC Benefits Trust for this individual. In 2015, the total cost for this plan was \$19,915.

### Interlocal Agreements

The City maintains an interlocal services agreement to participate in the South Sound 911 network.

The City maintains interlocal agreements with the Cities of Forks, Fife, and Puyallup for the care and custody of inmates and prisoners arrested by the City's police department.

The City maintains an interlocal agreement with AWC RMSA for the purposes of approving membership within the RMSA for insurance purposes.

The City maintains an interlocal agreement with the City of Tacoma and the Metropolitan Park District of Tacoma for the provision of law enforcement services inside Point Defiance Park. The City is compensated for its services in the amount of \$20,075 per year with an hourly rate for additional services if necessary.

The City maintains and participates in an interlocal agreement with the Pierce County Regional Council for the purposes of municipal planning and consistency with the requirements of the Growth Management Act (36.70A RCW).

The City maintains an interlocal agreement with the AWC Employee Benefit Trust Health Care Program for the purpose of providing healthcare benefits for City staff.

The City maintains an interlocal agreement with the City of Tacoma for the purposes of administering a Local Improvement District created for the purpose of making public infrastructure improvements in conjunction with the Point Ruston development.

The City maintains interlocal agreement(s) with the City of Tacoma for solid waste disposal, the purchase of wholesale electricity for distribution within the City's own electric utility, and the disposal of sewage. The City of Ruston also provides sewage transmission services for the City of Tacoma.

The City has leased its water system to the City of Tacoma's water utility. The Lease Agreement is set to expire in 2024. The City of Tacoma water utility maintains the water system in consideration for being exempt from the City's B&O tax on utilities.

The City maintains interlocal agreement(s) with law enforcement agencies in Pierce County, including the Pierce County Multi-Jurisdictional Task Force for the purposes of providing mutual aid and assistance.

The City maintains an interlocal agreement with Pierce County Fire Protection District #21 for the purposes of obtaining HAZMAT Response Services.

The City maintains an interlocal agreement with the Pierce County Department of Assigned Counsel for the purposes of providing indigent defense attorney services to defendants charged by the City with a crime that carries the penalty of incarceration.

The City maintains an interlocal agreement with the City of Bonney Lake for the purposes of code enforcement.

The City maintains an interlocal agreement with the City of Tacoma to provide fire dispatch communications services.

The City maintains an interlocal agreement with Pierce County Department of Emergency Management for the maintenance and repair of police radar equipment and testimony of expert witnesses in court cases where the radar equipment is at issue.

The City maintains an interlocal agreement with the South Correctional Entity (SCORE) for the care and custody of inmates with mental health issues, medical problems, and when there is insufficient space in other correctional Facilities.

### Legal Actions

In 2014, a lawsuit was filed against the City of Ruston by Kye S. Barker and D-Song, LLC, owners of the Unicorn Bar and Grill. The suit alleges harassment by the City of Ruston, its Mayor, its police force, its Police Chief, and various police officers. The Plaintiff also alleges that the city has taken property by requiring the plaintiff to remove an outdoor sidewalk seating area that encroached on the City's Right-of-Way.

The City has coverage under its insurance policy from AWC, and AWC is currently defending the suit. As of May 29, 2017, the harassment and discrimination portion of the lawsuit have been dismissed, and the value impairment portion has been remanded to District court. The City believes all of its actions are well documented and legitimate, and the City is confident it would prevail at trial.

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

<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>						
263.51	US Bank Govt Finance - Police	4/1/2021	63,235	-	11,936	51,299
<b>Total General Obligation Debt/Liabilities:</b>			<b>63,235</b>	<b>-</b>	<b>11,936</b>	<b>51,299</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	USDA Guaranteed Sewer 40 Year Bond	4/1/2052	3,927,733	-	58,920	3,868,813
259.12	Compensated Absences		21,697	7,243	-	28,940
264.30	Pension Liability		394,921	-	219,815	175,106
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>4,344,351</b>	<b>7,243</b>	<b>278,735</b>	<b>4,072,859</b>
<b>Total Liabilities:</b>			<b>4,407,586</b>	<b>7,243</b>	<b>290,671</b>	<b>4,124,158</b>

**City of Ruston**  
**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>						
263.51	US Bank Govt Finance - Police	4/1/2021	-	77,000	13,765	63,235
<b>Total General Obligation Debt/Liabilities:</b>			<b>-</b>	<b>77,000</b>	<b>13,765</b>	<b>63,235</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	USDA Guaranteed Sewer 40 Year Bond	4/1/2053	3,984,854	-	57,121	3,927,733
259.12	Compensated Absences		46,778	-	25,081	21,697
264.30	Pension Liability		209,071	185,850	-	394,921
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>4,240,703</b>	<b>185,850</b>	<b>82,202</b>	<b>4,344,351</b>
<b>Total Liabilities:</b>			<b>4,240,703</b>	<b>262,850</b>	<b>95,967</b>	<b>4,407,586</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>