



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

**Financial Statements Audit Report**  
**City of Raymond**

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

**Published February 7, 2019**

**Report No. 1023196**





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

February 7, 2019

Mayor and City Council  
City of Raymond  
Raymond, Washington

**Report on Financial Statements**

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

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

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

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

Mayor and City Council  
City of Raymond  
Raymond, 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 Raymond, 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 January 29, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

January 29, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Mayor and City Council  
City of Raymond  
Raymond, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Raymond, 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 Raymond 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 Raymond, 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 Raymond, 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 an opinion 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 January 29, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

January 29, 2019

## **FINANCIAL SECTION**

### **City of Raymond 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  
Notes to Financial Statements – 2016

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2017  
Schedule of Liabilities – 2016

**City of Raymond**  
**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 CURRENT EXPENSE</b>	<b>101 CITY STREET FUND</b>	<b>111 CAPITAL IMPROVEMENT</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	645,507	-	-	47,854
30880	Unreserved	346,195	17,349	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,780,644	1,733,991	-	13,497
320	Licenses and Permits	75,213	75,213	-	-
330	Intergovernmental Revenues	1,858,650	231,433	65,855	-
340	Charges for Goods and Services	3,668,322	31,909	-	-
350	Fines and Penalties	68,182	50,364	-	-
360	Miscellaneous Revenues	46,080	8,489	1,554	640
Total Revenues:		7,497,091	2,131,399	67,408	14,137
<b>Expenditures</b>					
510	General Government	270,312	270,312	-	-
520	Public Safety	2,585,649	1,226,987	-	-
530	Utilities	2,322,259	-	-	-
540	Transportation	180,656	-	180,656	-
550	Natural and Economic Environment	37,878	37,878	-	-
560	Social Services	574	574	-	-
570	Culture and Recreation	233,682	192,557	-	-
Total Expenditures:		5,631,010	1,728,308	180,656	-
Excess (Deficiency) Revenues over Expenditures:		1,866,081	403,091	(113,247)	14,137
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	252,955	84,000	-	-
397	Transfers-In	132,148	-	113,248	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	275,477	275,477	-	-
381, 395, 398	Other Resources	1,163,148	15,826	-	-
Total Other Increases in Fund Resources:		1,823,728	375,303	113,248	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	440,775	94,879	-	-
591-593, 599	Debt Service	1,772,932	12,585	-	-
597	Transfers-Out	132,148	132,148	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	265,483	265,483	-	-
581	Other Uses	47,322	37,000	-	-
Total Other Decreases in Fund Resources:		2,658,660	542,096	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,031,149</b>	<b>236,299</b>	<b>1</b>	<b>14,137</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,187,971	-	-	61,990
5088000	Unreserved	834,882	253,647	-	-
<b>Total Ending Cash and Investments</b>		<b>2,022,853</b>	<b>253,647</b>	<b>-</b>	<b>61,990</b>

The accompanying notes are an integral part of this statement.

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

		<b>116 FIRE EQUIPMENT</b>	<b>201 GO FIRE TRUCK</b>	<b>320 SPECIAL STREET FUND</b>	<b>401 WATER OPERATING</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	7,807	1,749	215,341	-
30880	Unreserved	-	-	-	205,059
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	33,005	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	206,227	-
340	Charges for Goods and Services	-	-	-	1,150,098
350	Fines and Penalties	-	-	-	5,923
360	Miscellaneous Revenues	1,000	-	250	2,059
Total Revenues:		1,000	33,005	206,477	1,158,080
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	435	-	-
530	Utilities	-	-	-	823,515
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	435	-	823,515
Excess (Deficiency) Revenues over Expenditures:		1,000	32,570	206,477	334,565
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	25,180
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	10,322	-
Total Other Increases in Fund Resources:		-	-	10,322	25,180
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,283	-	236,161	47,789
591-593, 599	Debt Service	-	33,463	-	125,935
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,283	33,463	236,161	173,724
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(2,283)</b>	<b>(893)</b>	<b>(19,362)</b>	<b>186,021</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	5,523	855	195,979	-
5088000	Unreserved	-	-	-	391,080
<b>Total Ending Cash and Investments</b>		<b>5,523</b>	<b>855</b>	<b>195,979</b>	<b>391,080</b>

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

		<b>403 AMBULANCE</b>	<b>404 SANITATION FUND</b>	<b>405 WASTEWATER FUND</b>	<b>410 THEATER FUND</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	372,757	-
30880	Unreserved	32,953	90,834	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	151
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	810,487	-	544,649	-
340	Charges for Goods and Services	576,479	440,629	1,463,160	6,046
350	Fines and Penalties	-	5,947	5,947	-
360	Miscellaneous Revenues	573	342	92	31,084
Total Revenues:		1,387,538	446,918	2,013,848	37,281
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	1,358,226	-	-	-
530	Utilities	-	416,881	1,081,863	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	41,126
Total Expenditures:		1,358,226	416,881	1,081,863	41,126
Excess (Deficiency) Revenues over Expenditures:		29,313	30,037	931,985	(3,845)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	143,776	-
397	Transfers-In	-	-	-	18,900
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	37,000	1,100,000	-
Total Other Increases in Fund Resources:		-	37,000	1,243,776	18,900
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	29,981	23,947	4,734
591-593, 599	Debt Service	-	-	1,600,949	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	10,322
Total Other Decreases in Fund Resources:		-	29,981	1,624,896	15,056
<b>Increase (Decrease) in Cash and Investments:</b>		<b>29,313</b>	<b>37,056</b>	<b>550,865</b>	<b>(1)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	923,622	-
5088000	Unreserved	62,264	127,891	-	-
<b>Total Ending Cash and Investments</b>		<b>62,264</b>	<b>127,891</b>	<b>923,622</b>	<b>-</b>

**City of Raymond**  
**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 CURRENT EXPENSE</b>	<b>101 CITY STREET FUND</b>	<b>111 CAPITAL IMPROVEMENT</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	466,533	-	-	32,833
30880	Unreserved	372,269	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,594,102	1,532,581	-	27,529
320	Licenses and Permits	64,629	64,629	-	-
330	Intergovernmental Revenues	2,839,992	239,616	65,686	-
340	Charges for Goods and Services	3,478,328	36,690	-	-
350	Fines and Penalties	53,662	37,778	-	-
360	Miscellaneous Revenues	59,807	9,712	607	638
Total Revenues:		8,090,521	1,921,006	66,293	28,166
<b>Expenditures</b>					
510	General Government	273,162	273,162	-	-
520	Public Safety	2,642,029	1,224,590	-	-
530	Utilities	2,264,856	-	-	-
540	Transportation	159,760	-	159,760	-
550	Natural and Economic Environment	56,460	56,460	-	-
560	Social Services	773	773	-	-
570	Culture and Recreation	243,497	181,328	-	-
Total Expenditures:		5,640,535	1,736,312	159,760	-
Excess (Deficiency) Revenues over Expenditures:		2,449,983	184,694	(93,467)	28,167
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	391,662	-	-	-
397	Transfers-In	103,467	-	93,467	-
385	Special or Extraordinary Items	6,075	-	-	-
386 / 389	Custodial Activities	67,492	67,492	-	-
381, 395, 398	Other Resources	114,071	5,880	-	-
Total Other Increases in Fund Resources:		682,767	73,372	93,467	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,680,337	-	-	13,146
591-593, 599	Debt Service	1,030,524	500	-	-
597	Transfers-Out	103,467	94,775	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	61,442	61,442	-	-
581	Other Uses	104,081	84,000	-	-
Total Other Decreases in Fund Resources:		2,979,851	240,718	-	13,146
<b>Increase (Decrease) in Cash and Investments:</b>		<b>152,899</b>	<b>17,347</b>	<b>(0)</b>	<b>15,021</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	645,507	-	-	47,854
5088000	Unreserved	346,195	17,349	-	-
<b>Total Ending Cash and Investments</b>		<b>991,703</b>	<b>17,349</b>	<b>-</b>	<b>47,854</b>

The accompanying notes are an integral part of this statement.

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

		<b>116 FIRE EQUIPMENT</b>	<b>201 GO FIRE TRUCK</b>	<b>320 SPECIAL STREET FUND</b>	<b>401 WATER OPERATING</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	14,127	-	159,284	-
30880	Unreserved	-	-	-	94,341
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	33,677	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,336,586	-
340	Charges for Goods and Services	-	-	-	994,706
350	Fines and Penalties	-	-	-	5,263
360	Miscellaneous Revenues	692	-	250	2,140
Total Revenues:		692	33,677	1,336,836	1,002,108
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	882	(161)	-	-
530	Utilities	-	-	-	796,718
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		882	(161)	-	796,718
Excess (Deficiency) Revenues over Expenditures:		(190)	33,838	1,336,836	205,391
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	217,915
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	75
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	56,759	4,110
Total Other Increases in Fund Resources:		-	-	56,759	222,100
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	6,129	-	1,318,524	190,558
591-593, 599	Debt Service	-	32,090	-	126,215
597	Transfers-Out	-	-	8,692	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	10,322	-
Total Other Decreases in Fund Resources:		6,129	32,090	1,337,538	316,773
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(6,319)</b>	<b>1,748</b>	<b>56,057</b>	<b>110,718</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	7,807	1,749	215,341	-
5088000	Unreserved	-	-	-	205,059
<b>Total Ending Cash and Investments</b>		<b>7,807</b>	<b>1,749</b>	<b>215,341</b>	<b>205,059</b>

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

		<b>403 AMBULANCE</b>	<b>404 SANITATION FUND</b>	<b>405 WASTEWATER FUND</b>	<b>410 THEATER FUND</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	260,289	-
30880	Unreserved	160,591	117,336	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	315
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	757,565	-	440,540	-
340	Charges for Goods and Services	525,426	440,949	1,462,204	18,353
350	Fines and Penalties	-	5,311	5,311	-
360	Miscellaneous Revenues	6,088	2,795	3,947	32,938
Total Revenues:		1,289,079	449,055	1,912,002	51,606
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	1,416,718	-	-	-
530	Utilities	-	421,055	1,047,082	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	62,169
Total Expenditures:		1,416,718	421,055	1,047,082	62,169
Excess (Deficiency) Revenues over Expenditures:		(127,639)	28,000	864,920	(10,563)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	173,746	-
397	Transfers-In	-	-	-	10,000
385	Special or Extraordinary Items	-	-	6,000	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	37,000	-	10,322
Total Other Increases in Fund Resources:		-	37,000	179,746	20,322
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	91,501	60,479	-
591-593, 599	Debt Service	-	-	871,719	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	9,759
Total Other Decreases in Fund Resources:		-	91,501	932,198	9,759
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(127,639)</b>	<b>(26,501)</b>	<b>112,468</b>	<b>0</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	372,757	-
5088000	Unreserved	32,953	90,834	-	-
<b>Total Ending Cash and Investments</b>		<b>32,953</b>	<b>90,834</b>	<b>372,757</b>	<b>-</b>



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

		<b>Investment Trust</b>
308	Beginning Cash and Investments	47,452
388 & 588	Prior Period Adjustment, Net	-
310-390	Additions	17,725
510-590	Deductions	16,500
	Net Increase (Decrease) in Cash and Investments:	1,225
508	Ending Cash and Investments	48,677

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

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

		<b>603 CUSTOMER DEPOSITS</b>
		<hr/>
308	Beginning Cash and Investments	46,890
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	14,670
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	14,108
		<hr/>
	Net Increase (Decrease) in Cash and Investments:	562
508	Ending Cash and Investments	47,452

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

**CITY OF RAYMOND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2017 THROUGH DECEMBER 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Raymond was incorporated on August 5, 1907 and operates under the laws of the state of Washington applicable to a municipal code city with a Mayor/Council form of government. The City is a general purpose local government and provides general administrative services, public safety, fire prevention, ambulance services, street improvement, and parks and recreation. In addition, the City of Raymond owns and operates water, sewer, and garbage services.

The City of Raymond 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:**

**Current Expense Fund**

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

#### Special Revenue Funds

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

#### Debt Service Funds

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

#### Capital Projects Funds

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

#### **Proprietary Fund Types:**

##### Enterprise Funds

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

#### **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 for 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 of Raymond adopts annual appropriated budgets for governmental and proprietary 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 for 2017 were as follows:

FUND	ACTUAL EXPENDITURE	FINAL APPROPRIATION	VARIANCE
001 Current Expense	\$2,524,051.07	\$2,570,500.00	\$46,448.93
101 Street	\$180,655.83	\$183,029.00	\$2,373.17
111 Cap Improvement	\$61,990.40	\$72,300.00	\$10,309.60
116 Fire Equipment	\$8,806.64	\$20,000.00	\$11,193.36
201 GO Fire Truck	\$34,753.25	\$35,463.00	\$709.75
320 Street Const	\$432,140.23	\$474,645.00	\$42,504.77
401 Water Operating	\$1,388,318.93	\$1,400,000.00	\$11,681.07
403 Ambulance	\$1,420,490.78	\$1,467,600.00	\$47,109.22
404 Sanitation	\$574,752.52	\$591,500.00	\$16,747.48
405 Wastewater	\$3,630,380.89	\$3,718,000.00	\$87,619.11
410 Theater	\$56,181.64	\$71,900.00	\$15,718.36
<b>Grand Total</b>	<b>\$10,312,522.18</b>	<b>\$10,604,937.00</b>	<b>\$292,414.82</b>

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

**D. Cash and Investments (See Note 2, *Deposits and Investments*)**

**E. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. 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. Sick leave may be accumulated to a total of 1,000 hours (fire department employees up to 1,500 hours). Depending on union contracts, employees having accruals above the allowed maximum on or before December 31<sup>st</sup> of each calendar year may cash out back to the maximum. Upon retirement, employees are paid for one half of their accumulated sick leave up to 360 hours. Payments are recognized as expenditures when paid.

**G. Long-Term Debt (See Note 5, *Debt Service Requirements*)**

**H. Other Financing Sources or Uses**

The government's *Other Financing Sources or Uses* consist of transfers in and out and debt service.

**I. Risk Management**

The City of Raymond 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, 2018, 99 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, 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, 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, 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. Since AWC RMSA is a cooperative program, there is a 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.

#### **J. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution or ordinance of 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:

**Fund 111 Capital Improvement Fund** beginning and ending balances are considered restricted because the main source of revenue is Real Estate Excise Tax. Expenditures of this tax are restricted by state law. Appropriations for this Fund are accomplished on a project-by-project basis by Council motion. Beginning cash for 2017 was \$47,853.78; ending cash was \$61,990.40.

**Fund 116 Fire Equipment Fund** beginning and ending balances are considered restricted because the source of revenue consists of donations from individuals specified to be used by the Fire Chief at his discretion for Fire Department equipment. Beginning cash for 2017 was \$7,806.64; ending cash was \$5,523.44.

**Fund 320 Special Street Construction Fund** beginning and ending balances are considered restricted because the revenue received is to be used for street improvement purposes pursuant to an interlocal agreement between the City and Pacific County. Projects are approved on a case-by-case basis throughout the year by Council motion. Beginning cash for 2017 was \$215,341.32; ending cash was \$195,979.36.

**Fund 405 Wastewater Operating Fund** has a restricted beginning and ending fund balance because various reserves are mandated in the USDA-RD bond ordinance for the Regional Sewer Construction Project. Beginning reserved cash for 2017 was \$372,757.01; ending reserved cash was \$923,622.06.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is allocated to the Current Expense Fund as allowed by State law (RCW 35.39.034). All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporations and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name. Investments are reported at original cost. Investments at December 31, 2017 are as follows: Certificates of Deposits (2) \$ 500,000.

**NOTE 3 – PROPERTY TAX**

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

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

The City of Raymond's regular levy for 2017 was \$3.176313 per \$1,000 on an assessed valuation of \$144,527,609 for a total regular levy of \$469,310.

The City levied \$0.234757 per \$1,000, for the payment of bonds to purchase a fire engine, for a total additional levy of \$33,743.

**NOTE 4 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2017:

Borrowing	Lending	Balance	New		Balance
Fund	Fund	1/1/2017	Loan	Repaid	12/31/2017
Current Expense	Sanitation	\$72,777	\$ -0-	\$37,000	\$ 35,777
<b>TOTALS</b>		<b>\$72,777</b>	<b>\$ -0-</b>	<b>\$37,000</b>	<b>\$ 35,777</b>

Sanitation Fund shall be repaid within a three year period, with an annual installment payment due on or before December 31<sup>st</sup> of each year. The Current Expense Fund and Theater Fund shall pay interest on the interfund loan at the rate of one-half of one percent (.005). At the end of 2017 the Theater Fund was in the red again, so current expense paid back the Special Street Const. Fund back \$10,322 with interest.

**NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Raymond and summarizes the city's debt transactions for the year ended December 31, 2017. Debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:



Year	Principal	Interest	Total
2018	\$685,003	\$396,537	\$1,081,540
2019	\$660,286	\$385,542	\$1,045,828
2020	\$668,735	\$374,243	\$1,042,978
2021	\$677,367	\$362,774	\$1,040,141
2022	\$648,108	\$351,122	\$ 999,230
2023-2027	\$3,340,360	\$1,583,536	\$4,923,896
2028-2032	\$3,191,866	\$1,296,903	\$4,488,769
2033-2037	\$2,546,374	\$1,029,166	\$3,575,540
2038-2042	\$2,506,308	\$773,422	\$3,279,730
2043-2047	\$2,785,705	\$494,025	\$3,279,730
2048-2052	\$3,096,245	\$177,476	\$3,273,721
Totals	\$20,806,357	\$7,224,746	\$28,031,103

#### **NOTE 6 – PENSION PLANS**

Substantially all City of Raymond’s full-time and qualifying part-time employees participate in the Public Employees (PERS) and Law Enforcement and Fire Fighters (LEOFF) Retirement Systems administrated by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. 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 downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The DRS CAFR may also be obtained by writing to:

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

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 Schedule 09 was as follows:

	<b>Allocation %</b>	<b>Liability / (Asset)</b>
<b>PERS 1</b>	<b>.00009461</b>	<b>448,932</b>
<b>PERS 2/3</b>	<b>.00011323</b>	<b>393,420</b>
<b>LEOFF 1</b>	<b>.00004724</b>	<b>(71,673)</b>
<b>LEOFF 2</b>	<b>.00042232</b>	<b>(586,043)</b>
<b>VFFRPF</b>	<b>.24</b>	<b>(88,408)</b>

#### 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 – HEALTH & WELFARE**

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following Inc., Regence BlueShield, Asuris Northwest Plan, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of

Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two pointed individuals from the AWC Board of Directors who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

## **NOTE 8 - OTHER DISCLOSURES**

**Regional Sewer Project:** During 2016 the City of Raymond and South Bend were in an on-going lawsuit against HWA Geosciences for settlement issues at the Regional Sewer Facility. In February 2017, the City of Raymond/South Bend was awarded 1.1 million

dollars. The City of Raymond paid off the USDA-RD Sewer Revenue Bond 2015 in the amount of \$767,523.30. The rest of the monies will be kept in reserves for any on-going settlement issues in the future at the Regional Sewer Facility.

**Water Project:** In April of 2016, the City of Raymond was awarded a loan from the Drinking Water State Revolving Fund (DWSRF) for a Water Treatment Plant project in the amount of \$3,266,340. DWSRF is a sub-recipient of funds provided by EPA, CFDA #66.468. Upon completion of the project, 30% of the cost will be “forgiven”. The term of the loan is not to exceed 24 years and the interest rate is 1%. Completion should occur in 2017.

The City of Raymond was awarded a loan (DL15-961-068) from Drinking Water State Revolving Fund (DWSRF) in 2016 for a Water System Plan Update/Rehabilitation of Raymond Heights Reservoir project in the amount of \$302,686. Loan term is 6 years at 1.5% interest rate. We just recently started paying the loan back with just interest on the loan in 2017 because of the amendment for the change in scope of work and to extend project completion date to December 2018. The CFDA # is 66.468.

**LEOFF I Retirees:** The City of Raymond has three LEOFF I retired firefighters drawing benefits consisting of a City-paid long term care policy, health insurance premiums, and medical costs not reimbursed by health insurance and mandated by the local LEOFF Board. Total cost to the City for 2017 was \$51,956.29.

**CITY OF RAYMOND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2016 THROUGH DECEMBER 31, 2016**

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

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The appropriated and actual expenditures for the legally adopted budgets for 2016 were as follows:

FUND	ACTUAL EXPENDITURE	FINAL APPROPRIATION	VARIANCE
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101 Street	\$159,759.80	\$160,000.00	\$242.20
111 Cap Improvement	\$60,999.32	\$61,500.00	\$500.68
116 Fire Equipment	\$14,818.39	\$23,000.00	\$8,181.61
201 GO Fire Truck	\$33,677.16	\$34,770.00	\$1,092.84
320 Street Const	\$1,552,879.11	\$1,622,500.00	\$69,620.89
401 Water Operating	\$1,318,550.01	\$1,447,700.00	\$129,149.99
403 Ambulance	\$1,449,670.37	\$1,449,800.00	\$129.63
404 Sanitation	\$603,390.60	\$653,500.00	\$50,109.40
405 Wastewater	\$2,352,037.47	\$2,413,500.00	\$61,462.53
410 Theater	\$71,927.99	\$76,600.00	\$4,672.01
Grand Total	\$9,612,089.13	\$9,982,670.00	\$370,582.87

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

**D. Cash and Investments (See Note 2, *Deposits and Investments*)**

**E. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. 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. Sick leave may be accumulated to a total of 1,000 hours (fire department employees up to 1,500 hours). Depending on union contracts, employees having accruals above the allowed maximum on or before December 31<sup>st</sup> of each calendar year may cash out back to the maximum. Upon retirement, employees are paid for one half of their accumulated sick leave up to 360 hours. Payments are recognized as expenditures when paid.

**G. Long-Term Debt (See Note 5, *Debt Service Requirements*)**

**H. Other Financing Sources or Uses**

The government's *Other Financing Sources or Uses* consist of transfers in and out and debt service.

## **I. Risk Management**

The City of Raymond 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.

#### **J. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution or ordinance of 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:

**Fund 111 Capital Improvement Fund** beginning and ending balances are considered restricted because the main source of revenue is Real Estate Excise Tax. Expenditures of this tax are restricted by state law. Appropriations for this Fund are accomplished on a project-by-project basis by Council motion. Beginning cash for 2016 was \$32,833.00; ending cash was \$47,853.78.

**Fund 116 Fire Equipment Fund** beginning and ending balances are considered restricted because the source of revenue consists of donations from individuals specified to be used by the Fire Chief at his discretion for Fire Department equipment. Beginning cash for 2016 was \$14,126.88; ending cash was \$7,806.64.

**Fund 320 Special Street Construction Fund** beginning and ending balances are considered restricted because the revenue received is to be used for street improvement purposes pursuant to an interlocal agreement between the City and Pacific County. Projects are approved on a case-by-case basis throughout the year by Council motion. Beginning cash for 2016 was \$159,283.96; ending cash was \$215,341.32.

**Fund 405 Wastewater Operating Fund** has a restricted beginning and ending fund balance because various reserves are mandated in the USDA-RD bond ordinance for the Regional Sewer Construction Project. Beginning reserved cash for 2016 was \$260,289.14; ending reserved cash was \$372,757.01.

#### **NOTE 2 – DEPOSITS AND INVESTMENTS**

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is allocated to the Current Expense Fund as allowed by State law (RCW 35.39.034). All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporations and the Washington Public Deposit Protection Commission. All

investments are insured, registered or held by the City or its agent in the government's name. Investments are reported at original cost. Investments at December 31, 2016 are as follows:      Certificates of Deposits (2)      \$ 500,000

### **NOTE 3 – PROPERTY TAX**

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

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

The City of Raymond's regular levy for 2016 was \$3.481724 per \$1,000 on an assessed valuation of \$133,074,572 for a total regular levy of \$463,329.

The City levied \$0.261934 per \$1,000, for the payment of bonds to purchase a fire engine, for a total additional levy of \$34,470.

### **NOTE 4 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2016:

Borrowing Fund	Lending Fund	Balance 1/1/2016	New Loan	Repaid	Balance 12/31/2016
Current Expense	Sanitation	\$109,777	\$ -0-	\$37,000	\$ 72,777
Theater	Street Const.	\$ -0-	\$ 10,322	\$10,322	\$ -0-
Current Expense	Spec Street	\$47,000	\$ -0-	\$47,000	\$ -0-
Theater	Spec Street	\$9,759	\$ -0-	\$9,759	\$ -0-
<b>TOTALS</b>		<b>\$166,536</b>	<b>\$ 10,322</b>	<b>\$93,759</b>	<b>\$ 72,777</b>

Sanitation Fund and Street Construction Fund shall be repaid within a three year period, with an annual installment payment due on or before December 31<sup>st</sup> of each year. The Current Expense Fund and Theater Fund shall pay interest on the interfund loan at the rate of one-half of one percent (.005). (Resolution #1238, #1243)

### **NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Raymond and summarizes the city's debt transactions for the year ended December 31, 2016. Debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:

Year	Principal	Interest	Total
2017	\$647,183	\$420,701	\$1,067,884
2018	\$656,091	\$409,549	\$1,065,640
2019	\$631,158	\$398,215	\$1,029,373
2020	\$639,385	\$387,463	\$1,026,849
2021	\$647,777	\$376,547	\$1,024,324
2022-2026	\$3,370,779	\$1,712,975	\$5,083,754
2027-2031	\$3,391,584	\$1,416,518	\$4,808,102
2032-2036	\$2,736,694	\$1,134,176	\$3,870,870
2037-2041	\$2,555,881	\$869,089	\$3,424,970
2042-2046	\$2,840,802	\$584,168	\$3,424,970
2047-2051	\$3,157,486	\$267,484	\$3,424,970
2052-2055	\$ 756,543	\$ 9,404	\$ 765,947
Totals	\$22,031,363	\$7,986,289	\$30,017,653

#### **NOTE 6 – PENSION PLANS**

Substantially all City of Raymond's full-time and qualifying part-time employees participate in the Public Employees (PERS) and Law Enforcement and Fire Fighters (LEOFF) Retirement Systems administrated by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. 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 downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The DRS CAFR may also be obtained by writing to:

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

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 Schedule 09 was as follows:

	Allocation %	Liability/(Asset)
PERS 1	.00010346	555,629
PERS 2/3	.0001151	579,519
LEOFF 1	.00005172	(53,286)
LEOFF 2	.0004227	(245,855)
VFFRPF	.017	(29,367)

#### 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 – HEALTH & WELFARE**

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2016, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of

Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

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

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two pointed individuals from the AWC Board of Directors who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

## **NOTE 8 - OTHER DISCLOSURES**

**Regional Sewer Project:** The Cities of Raymond and South Bend have been working together on the Willapa Regional Sewer Project for over ten years. The City of Raymond has been designated the Lead Agency for the project by an Interlocal Agreement between the two cities. A Funding Package for the project was finalized in 2010 and construction began. The total cost of the project will be approximately \$36,000,000 and project completion should occur during the year 2016. All grant/loan revenues and construction/debt costs for the project are reflected in the City of Raymond's Financial Statements. The City of South Bend reimburses the City of Raymond a percentage of the annual debt repayment, annual required reserves, and a percentage of monthly operations/maintenance costs. The reimbursement percentage is estimated to be 38%. Final calculations will be performed by the project engineers at project completion.

**Water Project:** In April of 2011, the City of Raymond was awarded a loan from the Drinking Water State Revolving Fund (DWSRF) for a Water Treatment Plant project in the amount of \$3,266,340. DWSRF is a sub-recipient of funds provided by EPA, CFDA #66.468. Upon completion of the project, 30% of the cost will be "forgiven". The term of the loan is not to exceed 24 years and the interest rate is 1%. Completion should occur in 2016. At that time an amortization schedule will be finalized.

**LEOFF I Retirees:** The City of Raymond has three LEOFF I retired firefighters drawing benefits consisting of a City-paid long term care policy, health insurance premiums, and medical costs not reimbursed by health insurance and mandated by the local LEOFF Board. Total cost to the City for 2016 was \$47,193.48.

**City of Raymond**  
**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>						
251.12	GO Fire Truck Voted Refund Bond	12/1/2018	65,000	-	32,000	33,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>65,000</b>	<b>-</b>	<b>32,000</b>	<b>33,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.99	Bank of the Pacific	4/19/2022	84,000	-	10,475	73,525
263.82	PW Trust Fund PR08-951-081	6/1/2028	640,348	-	53,363	586,985
263.82	DOE SRF Loan #L1000028	5/31/2031	1,487,812	-	95,168	1,392,644
263.82	DWSRF Loan DM10-952-029	12/1/2034	2,666,660	-	145,719	2,520,941
263.82	DWSRF Loan DL15-961-068	10/1/2023	302,686	-	-	302,686
252.11	USDA-RD Sewer Rev Bond 2012A	12/1/2052	8,402,492	-	157,439	8,245,053
252.11	USDA-RD Sewer Rev Bond 2012B	12/1/2052	8,042,116	-	150,687	7,891,429
252.11	USDA-RD Sewer Rev Bond 2015	9/30/2055	579,302	-	579,302	-
264.30	Pension Liabilities		1,135,148	-	292,796	842,352
259.12	Compensated Absences		169,984	1,971	-	171,955
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>23,510,548</b>	<b>1,971</b>	<b>1,484,949</b>	<b>22,027,570</b>
<b>Total Liabilities:</b>			<b>23,575,548</b>	<b>1,971</b>	<b>1,516,949</b>	<b>22,060,570</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	GO Fire Truck Voted Refund Bond	12/1/2018	95,000	-	30,000	65,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>95,000</b>	<b>-</b>	<b>30,000</b>	<b>65,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	DOE Loan #L990007B	6/1/2016	8,177	-	8,177	-
263.82	PW Trust Fund PR08-951-081	6/1/2028	693,711	-	53,362	640,349
263.82	DOE SRF Loan #L1000028	5/31/2031	1,581,939	-	94,127	1,487,812
263.82	DWSRF Loan DM10-952-029	12/1/2034	2,812,379	-	145,719	2,666,660
252.11	USDA-RD Sewer Rev Bond 2012A	12/1/2052	8,556,638	-	154,146	8,402,492
252.11	USDA-RD Sewer Rev Bond 2012B	12/1/2052	8,189,652	-	147,536	8,042,116
252.11	USDA-RD Sewer Rev Bond 2015	9/30/2055	579,302	-	-	579,302
264.30	Pension Liabilities		1,124,072	11,076	-	1,135,148
259.12	Compensated Absences		203,347	-	33,363	169,984
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>23,749,217</b>	<b>11,076</b>	<b>636,430</b>	<b>23,123,863</b>
<b>Total Liabilities:</b>			<b>23,844,217</b>	<b>11,076</b>	<b>666,430</b>	<b>23,188,863</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>