



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Yelm

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

Published March 7, 2019

Report No. 1023432





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

March 7, 2019

Mayor and City Council
City of Yelm
Yelm, Washington

Report on Financial Statements

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

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule of Audit Findings and Responses.....	4
Summary Schedule of Prior Audit Findings	9
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.....	12
Independent Auditor's Report on Financial Statements.....	15
Financial Section.....	19
About the State Auditor's Office.....	49

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The City's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.

Background

City Council members, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting.

In our prior audit, we identified material weaknesses in controls over financial reporting. During the current audit, we continued to identify deficiencies in controls over financial statement reporting that hindered the City's ability to produce reliable financial statements. These deficiencies represent a material weakness.

Government Auditing Standards requires the auditor to communicate material weaknesses, defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

During our audit we found the City did not have formal policies and procedures in place that establish effective controls over financial statement preparation. Specifically there were not effective reviews to ensure:

- Information entered into the general ledger was accurate and complete.
- Amounts reported on the financial statements agreed to the supporting general ledger.
- Journal entries were allowable, accurate, and supported.
- Financial statements and compiling footnotes were prepared in accordance with the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Cause of Condition

The City experienced turnover in key finance and accounting positions during the audit period, making it challenging to prioritize the preparation of accurate and complete financial statements for audit. A new Finance Director and Accountant were hired in September 2017 and did not make it a priority to obtain adequate

training and oversight to ensure all deficiencies in the financial reporting process were corrected since our last audit.

Effect of Condition

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies and other interested parties. It also hinders the audit process and increases audit costs.

We identified the following misstatements during the audit:

- Beginning Cash was understated by 334,904 and \$826,261 for fiscal years 2017 and 2016, respectively.
- Revenues were understated by 133,989 and overstated by \$20,237 for fiscal years 2017 and 2016, respectively.
- Expenditures were understated by 72,998 and 513,917 for fiscal years 2017 and 2016, respectively.
- Ending Cash was understated by 395,895 and \$292,109 for fiscal years 2017 and 2016, respectively.
- The City underreported 2016 Compensated Absences by \$72,722
- The City's 2016 general ledger did not include the Reserved Beginning and Ending Cash balances of \$721,033 and \$721,755, respectively, for one of the debt service funds.
- The Finance Department was not aware of all contracts, debt, and agreements that were in place, resulting in a loan not being recorded in the general ledger and being omitted from the financial statements in 2016.
- The Schedule of Liabilities was under-reported by \$18,500.

In addition, we noted other immaterial errors throughout the statements, notes, and required supplementary information.

Recommendations

We recommend the City create formal written policies and procedures that establish effective controls over financial statement preparation, including effective secondary reviews, to ensure:

- Information entered into the general ledger is accurate
- Amounts reported on the financial statements agree to supporting accounting records
- Journal entries are allowable, accurate, and supported

- Individuals responsible for preparing and reviewing the financial statements, notes, and schedules have sufficient technical training and effectively use the BARS Manual when preparing the City's annual financial report

City's Response

The City of Yelm has made it a high priority to address the historic issues identified by the State Auditor's Office. The City has taken the following actions to address these issues:

- *In Q1 2017, the secondary review of journal entries began immediately with the review and sign off of the City Administrator.*
- *In Q4 2017, the City hired a Finance Director with extensive public sector financial management experience to administer the City's financial management activities.*
- *In Q4 2017, the Finance Department hired a Senior Accountant with extensive governmental and non-profit accounting experience to administer Accounts Payable, Payroll and all other accounting functions within the City.*
- *In Q4 2017, journal entry preparation was consolidated with the Senior Accountant and Accounting Assistant. Secondary review was transitioned to the new Finance Director at that time, and has continued to be performed within the Finance Department since.*
- *In Q4 2017, the Finance Department initiated a program of ongoing financial training. Since that time, all Finance Department Staff have received sufficient technical training to effectively use the BARS Manual when preparing journal entries, budget status reports, and the City's annual financial report.*
- *In Q4 2017, the City adopted written financial policies to provide reasonable assurance that information entered into the general ledger is accurate, amounts reported on the financial statements agree to supporting accounting records, and that journal entries are allowable, accurate, and supported. These policies include Accounting Policies, Revenue Policies, Debt Policies, Expenditure Policies, Communication Policies, Operating Budget Policies, Compliance Policies, Capital Management Policies, Investment & Cash Management Policies, and Reserve Policies that incorporate guidance from the Governmental Finance Officers Association (GFOA), Municipal Research Services Center (MRSC) and Association of Washington Cities (AWC). The Yelm City Council initially adopted these*

policies on October 10, 2017 as part of the 2018 Annual Budget. The financial policies were subsequently refined by the City Council Finance Committee, at which time a contracting policy was added. The updated policies were adopted on December 11, 2018 as part of the 2019-2020 Biennial Budget.

- In Q2 2018, the Finance Department hired a utility billing Clerk with an economics background to develop utility billing policies and standard operating procedures. This effort has resulted in more efficient payment collection procedures, decreased collection timeframes, and decreased utility billing anomalies.*
- In Q3 2018, the City signed an Internal Audit Services Engagement Letter with Clifton Larson Allen, LLP (CLA). CLA has provided expert consultation to the City as we have implemented and refined our Financial Policies, transitioned to our new Financial Management software, and reorganized our Finance and Customer Services Departments.*
- In Q3 2018, the Finance Department, in conjunction with the State Auditor's Office, performed an intensive review of accounting data for fiscal years 2014 – 2017 to determine the origin and extent of general ledger inaccuracies. This work, completed in Q1 2019, resulted in full reconciliation with all City of Yelm banking statements for fiscal years 2016 and 2017.*
- In Q4 2018, the City upgraded financial management software. The new Software, the BARS Integrated Accounting Software, features functionality that will enhance the Finance Department's ability to accurately account for expenditures, perform regular bank reconciliations, and produce accurate Annual Financial Statements.*
- In Q1 2019, the City reorganized the Finance Department, moving front counter customer service staff to a dedicated Customer Service Department. This creates an additional layer of accountability and separation of duties that improves internal controls over cash management and revenue accounting.*
- In Q1 2019, the Finance Department hired an Accounting Assistant with extensive cash handling and internal control experience to assist with the administration of revenues and expenditures.*
- In Q1 2019, the Finance Director earned the designation of Certified Government Financial Manager from the Association of Government Accountants, enabling the City to implement financial management, accounting, reporting, internal control and auditing best practices.*

- *In Q2, 2019, the City's contracted Internal Auditor will begin risk assessment and internal controls reviews to assist management in identifying weaknesses in the internal control environment. These results, which will receive ongoing review over the next 5 years, will be used to further develop financial processes and controls in our new operating environment, including controls over contracts, grants, loan agreements and other external funding sources.*

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next audit

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Yelm January 1, 2014 through December 31, 2015

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

Audit Period: January 1, 2014 –December 31, 2015	Report Ref. No.: 1018537	Finding Ref. No.: 2015-001
Finding Caption: The City's internal controls over financial statement preparation are inadequate to ensure accurate and complete reporting.		
Background: The City had not made it a priority to provide adequate training and oversight or to develop the necessary resources or processes, to prepare accurate accounting records and financial statements. <ul style="list-style-type: none">• There were no formal policies in place to establish effective controls over financial statement preparation.• The city did not have formal policies in place that establish effective controls over financial statement preparation.• The City did not have procedures in place, including supervision and oversight, to ensure information entered into the general ledger is accurate.• The City lacked an effective review process to ensure amounts reported on the financial statements agree to the supporting general ledger.• The City did not implement an independent review of journal entries to ensure they were allowable, accurate and supported.• City staff responsible for reporting amounts in the financial statements and compiling the footnotes did not ensure they were prepared in accordance with the <i>Budget, Accounting and Reporting Systems (BARS) Manual</i>		

Status of Corrective Action: (check one)☐ Fully
Corrected☒ Partially
Corrected☐ Not Corrected☐ Finding is considered no
longer valid**Corrective Action Taken:**

The City of Yelm has made it a high priority to address the historic issues identified by the State Auditor's Office. The City has taken the following actions to address these issues:

- In Q1 2017, the secondary review of journal entries began immediately with the review and sign off of the City Administrator.*
- In Q4 2017, the City hired a Finance Director with extensive public sector financial management experience to administer the City's financial management activities.*
- In Q4 2017, the Finance Department hired a Senior Accountant with extensive governmental and non-profit accounting experience to administer Accounts Payable, Payroll and all other accounting functions within the City.*
- In Q4 2017, journal entry preparation was consolidated with the Senior Accountant and Accounting Assistant. Secondary review was transitioned to the new Finance Director at that time, and has continued to be performed within the Finance Department since.*
- In Q4 2017, the Finance Department initiated a program of ongoing financial training. Since that time, all Finance Department Staff have received sufficient technical training to effectively use the BARS Manual when preparing journal entries, budget status reports, and the City's annual financial report.*
- In Q4 2017, the City adopted written financial policies to provide reasonable assurance that information entered into the general ledger is accurate, amounts reported on the financial statements agree to supporting accounting records, and that journal entries are allowable, accurate, and supported. These policies include Accounting Policies, Revenue Policies, Debt Policies, Expenditure Policies, Communication Policies, Operating Budget Policies, Compliance Policies, Capital Management Policies, Investment & Cash Management Policies, and Reserve Policies that incorporate guidance from the Governmental Finance Officers Association (GFOA), Municipal Research Services Center (MRSC) and Association of Washington Cities (AWC). The Yelm City Council initially adopted these policies on October 10, 2017 as part of the 2018 Annual Budget. The financial policies were subsequently refined by the City Council Finance Committee, at which time a contracting policy was added. The updated policies were adopted on December 11, 2018 as part of the 2019-2020 Biennial Budget.*
- In Q2 2018, the Finance Department hired a utility billing Clerk with an economics background to develop utility billing policies and standard operating procedures.*

This effort has resulted in more efficient payment collection procedures, decreased collection timeframes, and decreased utility billing anomalies.

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- *In Q1 2019, the Finance Department hired an Accounting Assistant with extensive cash handling and internal control experience to assist with the administration of revenues and expenditures.*
- *In Q1 2019, the Finance Director earned the designation of Certified Government Financial Manager from the Association of Government Accountants, enabling the City to implement financial management, accounting, reporting, internal control and auditing best practices.*

**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 Yelm
January 1, 2016 through December 31, 2017**

Mayor and City Council
City of Yelm
Yelm, 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 Yelm, 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 March 1, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 to be a material weakness.

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*.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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Pat McCarthy
State Auditor
Olympia, WA

March 1, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Yelm January 1, 2016 through December 31, 2017

Mayor and City Council
City of Yelm
Yelm, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Yelm, 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 19.

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 Yelm 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 Yelm, 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 Yelm, 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 March 1, 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.

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

Pat McCarthy

State Auditor

Olympia, WA

March 1, 2019

FINANCIAL SECTION

City of Yelm 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
Notes to Financial Statements – 2017
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Liabilities – 2016

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

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 CITY STREET	102 ARTERIAL STREETS
Beginning Cash and Investments					
30810	Reserved	2,105,491	-	-	-
30880	Unreserved	17,510,583	3,081,704	116,567	59,448
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	5,288,798	4,995,065	-	-
320	Licenses and Permits	282,802	282,802	-	-
330	Intergovernmental Revenues	1,055,595	187,543	159,734	61,542
340	Charges for Goods and Services	6,478,949	94,931	-	-
350	Fines and Penalties	96,718	96,718	-	-
360	Miscellaneous Revenues	917,972	245,436	4,435	686
Total Revenues:		14,120,833	5,902,494	164,169	62,228
Expenditures					
510	General Government	1,468,630	1,468,630	-	-
520	Public Safety	2,022,185	1,985,166	-	-
530	Utilities	3,307,540	137,758	-	-
540	Transportation	584,998	-	559,133	20,351
550	Natural and Economic Environment	565,658	565,658	-	-
560	Social Services	12,566	12,566	-	-
570	Culture and Recreation	533,764	533,764	-	-
Total Expenditures:		8,495,342	4,703,543	559,133	20,351
Excess (Deficiency) Revenues over Expenditures:		5,625,493	1,198,952	(394,964)	41,877
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	98,934	98,934	-	-
397	Transfers-In	2,540,457	-	400,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	70,117	65,512	-	-
381, 395, 398	Other Resources	105,745	6,570	800	-
Total Other Increases in Fund Resources:		2,815,253	171,016	400,800	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,849,044	182,237	12,689	-
591-593, 599	Debt Service	2,152,027	7,969	-	-
597	Transfers-Out	2,540,457	883,465	-	-
585	Special or Extraordinary Items	72,998	-	-	-
586 / 589	Custodial Activities	85,440	72,480	-	-
581	Other Uses	97,326	-	-	-
Total Other Decreases in Fund Resources:		6,797,293	1,146,152	12,689	-
Increase (Decrease) in Cash and Investments:		1,643,453	223,817	(6,853)	41,877
Ending Cash and Investments					
5081000	Reserved	2,105,491	-	-	-
5088000	Unreserved	19,154,036	3,305,521	109,714	101,325
Total Ending Cash and Investments		21,259,527	3,305,521	109,714	101,325

The accompanying notes are an integral part of this statement.

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

		107 TOURISM PROMOTION	109 YPD SCHOOL RESOURCE	120 TRANSPORTATI ON FAC	200 LTGO BOND REDEMPTION
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	213,582	47,525	582,677	16,444
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	21,008	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	102,814	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,045	213	1,580	7,108
Total Revenues:		23,053	213	104,394	7,108
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	37,019	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	37,019	-	-
Excess (Deficiency) Revenues over Expenditures:		23,053	(36,806)	104,394	7,108
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	483,465
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	483,465
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	484,065
597	Transfers-Out	-	-	369,552	-
585	Special or Extraordinary Items	-	-	72,998	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	97,326	-
Total Other Decreases in Fund Resources:		-	-	539,876	484,065
Increase (Decrease) in Cash and Investments:		23,053	(36,806)	(435,482)	6,508
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	236,634	10,719	147,195	22,952
Total Ending Cash and Investments		236,634	10,719	147,195	22,952

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

		202 KILLION RD LID 2 REPMT	302 MUNICIPAL BUILDING FUND	316 ROAD/STREET CONSTRUCTIO	400 STORMWATER UTILITY
Beginning Cash and Investments					
30810	Reserved	721,755	-	-	-
30880	Unreserved	428,474	561,347	99,653	57,217
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	272,726	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	646,776	-
340	Charges for Goods and Services	-	-	-	101,853
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	517,093	5,968	2,750	697
Total Revenues:		517,093	278,693	649,527	102,550
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	54,045
540	Transportation	1,988	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,988	-	-	54,045
Excess (Deficiency) Revenues over Expenditures:		515,105	278,694	649,526	48,505
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	369,552	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	369,552	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	24,433	1,012,747	4,015
591-593, 599	Debt Service	372,534	-	-	628
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		372,534	24,433	1,012,747	4,643
Increase (Decrease) in Cash and Investments:		142,571	254,261	6,331	43,862
Ending Cash and Investments					
5081000	Reserved	721,755	-	-	-
5088000	Unreserved	571,044	815,607	105,984	101,079
Total Ending Cash and Investments		1,292,799	815,607	105,984	101,079

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

		401 WATER UTILITY	402 UTILITY CONSUMER DEPOSITS	412 SEWER/REUSE UTILITY	430 SHORTLINE RAILROAD
Beginning Cash and Investments					
30810	Reserved	921,410	-	462,326	-
30880	Unreserved	6,956,037	100,938	5,181,114	7,856
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	3,503,021	-	2,676,331	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	72,181	3,463	54,251	66
Total Revenues:		3,575,202	3,463	2,730,582	66
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	1,423,828	-	1,691,908	-
540	Transportation	-	-	-	3,527
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,423,828	-	1,691,908	3,527
Excess (Deficiency) Revenues over Expenditures:		2,151,374	3,463	1,038,674	(3,461)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	924,055	-	363,385	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	4,605	-	-
381, 395, 398	Other Resources	1,049	-	97,326	-
Total Other Increases in Fund Resources:		925,104	4,605	460,711	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	189,815	-	423,109	-
591-593, 599	Debt Service	923,449	-	363,382	-
597	Transfers-Out	924,055	-	363,385	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	12,960	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,037,319	12,960	1,149,875	-
Increase (Decrease) in Cash and Investments:		1,039,159	(4,892)	349,510	(3,461)
Ending Cash and Investments					
5081000	Reserved	921,410	-	462,326	-
5088000	Unreserved	7,995,196	96,046	5,530,625	4,395
Total Ending Cash and Investments		8,916,606	96,046	5,992,951	4,395

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

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 CITY STREET	102 ARTERIAL STREETS
Beginning Cash and Investments					
30810	Reserved	2,104,769	-	-	-
30880	Unreserved	20,179,721	3,208,393	92,714	89,209
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	4,957,472	4,771,903	-	-
320	Licenses and Permits	348,478	348,478	-	-
330	Intergovernmental Revenues	826,625	159,203	123,654	60,904
340	Charges for Goods and Services	7,064,950	123,994	-	-
350	Fines and Penalties	71,732	71,732	-	-
360	Miscellaneous Revenues	637,525	62,925	709	424
Total Revenues:		13,906,782	5,538,234	124,363	61,328
Expenditures					
510	General Government	1,423,278	1,423,278	-	-
520	Public Safety	1,872,084	1,819,971	-	-
530	Utilities	3,282,215	36,899	-	-
540	Transportation	492,341	-	450,511	11,009
550	Natural and Economic Environment	605,177	605,149	-	-
560	Social Services	14,044	14,044	-	-
570	Culture and Recreation	424,037	424,037	-	-
Total Expenditures:		8,113,177	4,323,379	450,511	11,009
Excess (Deficiency) Revenues over Expenditures:		5,793,606	1,214,857	(326,148)	50,319
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,433	-	-	-
397	Transfers-In	2,854,181	44,549	350,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	130,458	124,278	-	-
381, 395, 398	Other Resources	229,226	68,115	-	-
Total Other Increases in Fund Resources:		3,215,297	236,942	350,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,510,156	28,439	-	-
591-593, 599	Debt Service	2,476,891	17,688	-	-
597	Transfers-Out	2,951,507	897,695	-	80,080
585	Special or Extraordinary Items	513,917	513,917	-	-
586 / 589	Custodial Activities	132,253	120,747	-	-
581	Other Uses	92,594	-	-	-
Total Other Decreases in Fund Resources:		11,677,319	1,578,486	-	80,080
Increase (Decrease) in Cash and Investments:		(2,668,414)	(126,687)	23,852	(29,761)
Ending Cash and Investments					
5081000	Reserved	2,105,801	-	-	-
5088000	Unreserved	17,510,274	3,081,705	116,566	59,448
Total Ending Cash and Investments		19,616,075	3,081,705	116,566	59,448

The accompanying notes are an integral part of this statement.

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

		107 TOURISM PROMOTION	109 YPD SCHOOL RESOURCE	120 TRANSPORTATI ON FAC	197 COMM DEV BLOCK GRANT
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	187,834	39,590	538,263	1,420
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	24,833	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	139,296	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	915	60,048	2,444	5
Total Revenues:		25,748	60,048	141,740	5
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	52,113	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	28
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	52,113	-	28
Excess (Deficiency) Revenues over Expenditures:		25,748	7,935	141,740	(23)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	97,326	1,396
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	97,326	1,396
Increase (Decrease) in Cash and Investments:		25,748	7,935	44,414	(1,419)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	213,582	47,525	582,677	-
Total Ending Cash and Investments		213,582	47,525	582,677	-

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

		200 LTGO BOND REDEMPTION	202 KILLION RD LID 2 REPAYMENT	302 MUNICIPAL BUILDING FUND	316 ROAD/STREET CONSTRUCTIO
Beginning Cash and Investments					
30810	Reserved	-	721,033	-	-
30880	Unreserved	5,271	628,783	670,446	136,955
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	160,736	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	362,223	35,401
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	11,770	428,914	2,088	333
Total Revenues:		11,770	428,914	525,047	35,734
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	2,424	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,424	-	-
Excess (Deficiency) Revenues over Expenditures:		11,770	426,490	525,046	35,734
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	539,119	-	-	82,711
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	19,349	-
Total Other Increases in Fund Resources:		539,119	-	19,349	82,711
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	653,495	46,386
591-593, 599	Debt Service	539,715	626,078	-	-
597	Transfers-Out	-	-	-	41,831
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	67,530
Total Other Decreases in Fund Resources:		539,715	626,078	653,495	155,747
Increase (Decrease) in Cash and Investments:		11,174	(199,588)	(109,100)	(37,302)
Ending Cash and Investments					
5081000	Reserved	-	721,755	-	-
5088000	Unreserved	16,444	428,474	561,347	99,653
Total Ending Cash and Investments		16,444	1,150,228	561,347	99,653

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

		400 STORMWATER UTILITY	401 WATER UTILITY	402 UTILITY CONSUMER DEPOSITS	412 SEWER/REUSE UTILITY
Beginning Cash and Investments					
30810	Reserved	-	921,410	-	462,326
30880	Unreserved	27,880	9,962,665	106,264	4,477,881
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	55,240	30,000	-	-
340	Charges for Goods and Services	99,118	3,769,436	-	2,933,106
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	241	42,539	-	24,071
Total Revenues:		154,599	3,841,975	-	2,957,177
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	101,630	1,292,331	-	1,851,354
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		101,630	1,292,331	-	1,851,354
Excess (Deficiency) Revenues over Expenditures:		52,969	2,549,644	-	1,105,823
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,433	-	-	-
397	Transfers-In	-	1,434,431	-	373,371
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	6,180	-
381, 395, 398	Other Resources	-	25,489	-	116,272
Total Other Increases in Fund Resources:		1,433	1,459,920	6,180	489,643
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	4,626,356	-	155,480
591-593, 599	Debt Service	-	930,029	-	363,382
597	Transfers-Out	-	1,459,807	-	373,371
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	11,506	-
581	Other Uses	25,064	-	-	-
Total Other Decreases in Fund Resources:		25,064	7,016,192	11,506	892,233
Increase (Decrease) in Cash and Investments:		29,338	(3,006,628)	(5,326)	703,233
Ending Cash and Investments					
5081000	Reserved	310	921,410	-	462,326
5088000	Unreserved	56,908	6,956,037	100,938	5,181,115
Total Ending Cash and Investments		57,218	7,877,447	100,938	5,643,441

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

		430 SHORTLINE RAILROAD
		<hr/>
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	6,154
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	99
Total Revenues:		<hr/> 99
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	28,397
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 28,397
Excess (Deficiency) Revenues over Expenditures:		(28,298)
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	30,000
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> 30,000
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> -
Increase (Decrease) in Cash and Investments:		<hr/> 1,702
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	7,856
Total Ending Cash and Investments		<hr/> 7,856

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

Note 1 - Summary of Significant Accounting Policies

The City of Yelm was incorporated on December 24, 1924. In December of 1989, the Municipality of Yelm became a Non-charter Code City with a mayor-council form of government and operates under the laws of the state of Washington applicable to an optional code city. The City of Yelm is a general purpose local government and provides public safety, street improvements, library services, parks and recreation, social and health services, water services, and general administrative services. In addition, the City of Yelm owns and operates a sewer system.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

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 of Yelm 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 Yelm adopts an annual appropriated budget for 16 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance	Revenue
General Fund: 001	7,610,885.55	5,849,694.53	1,761,191.02	6,073,510.37
101	576,839.00	571,821.24	5,017.76	564,968.87
102	190,000.00	20,350.80	169,649.20	62,227.81
107	232,826.00	-	232,826.00	23,052.54
109	84,215.00	37,018.79	47,196.21	212.56
120	642,676.00	539,876.00	102,800.00	104,393.55
200	495,150.00	484,065.00	11,085.00	490,572.93
202	726,638.00	374,522.06	352,115.94	517,092.97
302	810,429.00	24,433.08	785,995.92	278,693.08
316	1,466,824.00	1,019,078.78	447,745.22	1,012,747.16
400	119,158.00	58,688.46	60,469.54	102,549.85
401	10,883,759.50	3,461,147.01	7,422,612.49	4,500,305.64
402	N/A	12,959.63	-	8,068.20
412	7,759,374.50	2,841,783.17	4,917,591.33	3,191,293.42
430	6,198.83	3,527.25	2,671.58	66.35
TOTAL	31,604,973.38	15,298,965.80	16,318,967.21	16,921,687.10

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Yelm 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 are long lived assets. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days (240 hours) and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do receive payment for 25% of unused sick leave, not to exceed one month's salary. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Risk Management

The City of Yelm 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, 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 coverage's 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 2017, 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. Health & Welfare

The 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 carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on

use imposed by external parties or due to internal commitments established by law, ordinance and bond and financing contracts. When expenditures that meet restrictions are incurred, the City of Yelm intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \$2,106,517.

Requestor/Purpose	Amount Reserve	Original Fund	Reserve Fund
Thurston First Bank, Bank Loan Guarantee	\$722,781	202*	202
WAST - DOE - 1998 Wtr Reuse Design	\$93,255	412	204
USDA -1999 Sewer Revenue Bond	\$271,970	412	204
USBANK - 2003 Water Rev Bonds	\$192,016	401	406
USBANK - 2010 Water Rev Bonds	\$677,534	401	406
WAST - DOE - 2005 Reclaimed Water	\$51,860	401	406
WAST - DOE - 2003 Sewer Bond Refi	\$97,101	412	415
TOTAL	\$2,106,517		

*Reserve money is held by Thurston First Bank in a guarantee fund, separate from other City funds

Note 2 – Deposits and Investments

It is the City of Yelm'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 of Yelm or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2017 are as follows:

Type of Investment held by City of Yelm	City of Yelm's Total Own Investments	Investments held by City of Olympia as an agent for other local governments, individual or private organizations	TOTAL
L.G.I.P.			\$5,360,691.64
L.E.R.M.S.		\$3,365	
TVI			\$13,074,123.00
Total			\$18,434,820.64

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 at the end of each month.

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

The City of Yelm's regular levy for the year 2017 was \$1.7105 per \$1,000 on an assessed valuation of \$800,827,371 for a total regular levy of \$1,369,840.84.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2017:

Borrowing Fund	Lending Fund	Balance as of 1/1/2017	New Loans	Debt Service Repayments	Balance as of 12/31/2017
316	120		\$369,552		\$369,552
120*	413	\$387,565		\$97,326	\$290,306
*202	120	\$429,601			\$429,601
*202	302	\$85,027			\$85,027

*202-THURSTON FIRST GUARANTEE FUND

*120 -Original Borrower was Fund 310. Fund 310 is no longer active; as a result the interfund payments are being made from The Transportation Facility Charge Fund (120) regarding the same project.

Note 5 – Debt Service Requirements

Debt Service

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

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

Fiscal Year(s)	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2018	\$515,144	\$1,202,252	\$1,138,415	\$2,855,811
2019	\$520,422	\$1,194,071	\$1,138,415	\$2,852,908
2020	\$518,483	\$1,196,311	\$1,138,415	\$2,853,209
2021	\$486,448	\$1,197,531	\$1,138,415	\$2,822,394
2022	\$483,638	\$1,021,463	\$1,051,654	\$2,556,755
2023-2027	\$2,076,636	\$4,467,582		\$6,544,218
2028-2032	\$541,116	\$4,318,825		\$4,859,940
2033-2038		\$5,191,233		\$5,191,233
2039-2040		\$1,567,661		\$1,567,661
Totals	\$5,141,884	\$21,356,929	\$5,605,314	\$32,104,128

Included in the Other Debt category is an interest only loan for the Killion Road LID #2. Per contract the City is only required to make interest payments each September until the loan comes due in 2026. The City has been making additional principal payments each year to pay off the loan prior to 2026. The City estimates how much LID revenue it will receive each year and budgets level payments to have the loan retired prior to 2026.

The City is considering additional debt starting in 2018 to finance upgrades to the Water Reuse Facility.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Yelm'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, and LEOFF2.

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

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

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

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

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

	Allocation %	Liability (Asset)
PERS 1	0.016510%	\$783,412
PERS 2/3	0.018923%	\$657,484
PSERS 2		
LEOFF 1		
LEOFF 2	0.031337%	(\$434,856)
VFFRPF		

LEOFF Plan 2

The City of Yelm 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 - Joint Ventures

Law Enforcement Records Management Systems (LERMS)

The LERMS is a joint venture providing accurate and timely criminal justice data sharing to the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The goal of this joint venture is to share public safety information, increase operational efficiency via a reduction in data entry, and ease the process of accessing information. These goals will improve officer and citizen safety, facilitate coordination and information sharing to both internal and external agencies, and improve data quality and timeliness of data accessibility. It is governed through an interlocal agreement by the LERMS Consortium, which is a five member board composed of each City's Chief of Police (or their designee).

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2017, the City of Yelm has a 5% share of the equity. Net Assets as of December 31, 2017, were \$67,307. The City of Yelm reports its share of equity interest as an investment in joint venture.

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium). All property is considered to be jointly owned. Parties will be reimbursed based on their contribution upon sale of property upon the dissolution of LERMS. Any member may withdraw from the agreement at the end of any calendar year, providing a notice to the Consortium no less than six months prior to the date of withdrawal. Withdrawal of a party will not terminate the agreement of the remaining parties.

The City of Olympia accounts for the joint venture in a separate agency fund. Completed Financial Statements can be obtained from the City of Olympia Administrative Services Department, PO Box 1967, Olympia, WA 98507

Note 8 - Other Disclosures

Managerial Funds that are used for City purposes were rolled up to main funds as noted below:

Funds Rolled up to 001

104,105,119

Funds Rolled up to 202

External Non-Profit Checking Account at Thurston First Bank (Guarantee Fund)

Funds Rolled up to 401

404,405,406,431

Funds Rolled up to 412

203,204,413,415

CITY OF YELM
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The City of Yelm was incorporated on December 24, 1924. In December of 1989, the Municipality of Yelm became a Non-charter Code City with a mayor-council form of government and operates under the laws of the state of Washington applicable to an optional code city. The City of Yelm is a general purpose local government and provides public safety, street improvements, library services, parks and recreation, social and health services, water services, and general administrative services. In addition, the City of Yelm owns and operates a sewer system.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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 of Yelm 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 Yelm adopts an annual appropriated budget for 16 funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance	Revenue
General Fund: 001	\$5,688,337	\$5,901,865	(\$213,528)	\$5,775,176
101	\$516,829	\$450,511	\$66,318	\$474,363
102	\$101,080	\$91,089	\$9,991	\$61,328
107	\$0	\$0	\$0	\$25,748
109	\$75,425	\$52,113	\$23,312	\$60,048
120	\$182,064	\$97,326	\$84,738	\$141,740
197	\$1,426	\$1,425	\$1	\$5
200	\$539,715	\$539,715	\$0	\$550,889
202	\$943,800	\$628,502	\$315,298	\$428,914
302	\$767,376	\$653,495	\$113,881	\$544,396
316	\$658,760	\$155,747	\$503,013	\$35,734
400	\$176,260	\$126,695	\$49,565	\$156,032
401	\$9,814,911	\$8,308,523	\$1,506,388	\$5,301,895
402	N/A	\$11,506		\$6,180
412	\$3,916,498	\$2,743,587	\$1,172,911	\$3,446,821
430	\$30,000	\$28,397	\$1,603	\$30,099
TOTAL	\$23,412,481	\$19,790,496	\$3,633,491	\$17,039,368

Budgeted amounts are authorized to be transferred between departments within any fund/object classes

within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Yelm 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 are long lived assets. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days (240 hours) and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do receive payment for 25% of unused sick leave, not to exceed one month's salary. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Risk Management

The City of Yelm 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 coverage's 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. Health & Welfare

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

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life

Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

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

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

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

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

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of \$2,105,491.

Requestor / Purpose	Amount Reserve	Fund
Thurston First Bank, Bank Loan Guarantee	\$721,755	202*
WAST - DOE - 1998 Wtr Reuse Design	\$93,255	412
USDA -1999 Sewer Revenue Bond	\$271,970	412
USBANK - 2003 Water Rev Bonds	\$192,016	401
USBANK - 2010 Water Rev Bonds	\$677,534	401
WAST - DOE - 2005 Reclaimed Water	\$51,860	401
WAST - DOE - 2003 Sewer Bond Refi	\$97,101	412
TOTAL	\$2,105,491	

*Reserve money is held by Thurston First Bank in a guarantee fund, separate from other City funds

Note 2 – Deposits and Investments

It is the City of Yelm'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 of Yelm or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2016 are as follows:

Type of Investment held by City of Yelm	City of Yelm's Total own investments	Investments held by City of Olympia as an agent for other local governments, individual or private organizations	TOTAL
L.G.I.P.	\$17,236,840		\$17,236,840
L.E.R.M.S.		\$3,789	\$3,789
Total	\$17,236,840	\$3,789	\$17,240,629

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 at the end of each month.

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

The City of Yelm's regular levy for the year 2016 was \$1.700699 per \$1,000 on an assessed valuation of \$709,609,078 for a total regular levy of \$1,206,832.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2016:

Borrowing Fund	Lending Fund	Balance as of 1/1/2016	New Loans	Debt Service Repayments	Balance as of 12/31/2016
316	001	\$67,530	\$-	\$67,530	\$-
400	401	\$25,000	\$-	\$25,064	\$-
*310	413	\$484,808	\$-	\$97,326	\$387,565
*202	120	\$429,601	\$-	\$-	\$429,601
*202	302	\$85,027	\$-	\$-	\$85,027

*202-THURSTON FIRST GUARANTEE FUND

*310 -Original Borrower was Fund 310. Fund 310 is no longer active; as a result the interfund payments are being made from other funds regarding the same project.

Note 5 – Debt Service Requirements

Debt Service

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

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

GENERAL OBLIGATION DEBT			
Fiscal Year(s)	Principal	Interest	Total
2017	320,000	163,465	483,465
2018	330,000	153,260	483,260
2019	345,000	142,100	487,100
2020	355,000	130,200	485,200
2021	370,000	117,188	487,188
2022-2026	2,065,000	357,650	2,422,650
2027-2031	615,000	61,100	676,100
Totals	\$ 4,400,000	\$ 1,124,963	\$5,524,963

REVENUE DEBT			
Fiscal Year(s)	Principal	Interest	Total
2017	730,952	557,134	1,288,087
2018	665,536	536,715	1,202,252
2019	675,388	518,682	1,194,071
2020	695,363	500,947	1,196,311
2021	715,464	482,067	1,197,531
2022-2026	2,686,615	2,124,846	4,811,461
2027-2031	2,653,069	1,665,755	4,318,825
2032-2036	3,238,641	1,077,592	4,316,234
2037-2041	2,973,963	326,192	3,300,155
Totals	\$15,034,996	\$7,789,931	\$22,824,927

OTHER OBLIGATIONS			
Fiscal Year(s)	Principal	Interest	Total
2017	7,916	372,587	380,504
2018	765,880	372,534	1,138,415
2019	829,065	309,349	1,138,415
2020	897,463	240,951	1,138,415
2021	971,504	166,911	1,138,415
2022-2026	1,051,653	86,761	1,138,415
Totals	\$4,523,485	\$1,549,094	\$6,072,579

Included in the Other Debt category is an interest only loan for the Killion Road LID #2. Per contract the City is only required to make interest payments each September until the loan comes due in 2026. The City has been making additional principal payments each year to pay off the loan prior to 2026. The City estimates how much LID revenue it will receive each year and budgets level payments to have the loan retired prior to 2026.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Yelm'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, and LEOFF2.

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

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

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

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

At June 30, 2016 (the measurement date of the plans), the City of Yelm's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.019651%	\$1,055,351
PERS 2/3	0.022426%	1,129,131
PSERS 2		
LEOFF 1		
LEOFF 2	0.036789%	(213,976)
VFFRPF		

LEOFF Plan 2

The City of Yelm 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 - Joint Ventures

Law Enforcement Records Management Systems (LERMS)

The LERMS is a joint venture providing accurate and timely criminal justice data sharing to the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The goal of this joint venture is to share public safety information, increase operational efficiency via a reduction in data entry, and ease the process of accessing information. These goals will improve officer and citizen safety, facilitate coordination and information sharing to both internal and external agencies, and improve data quality and timeliness of data accessibility. It is governed through an interlocal agreement by the LERMS Consortium, which is a five member board composed of each City's Chief of Police (or their designee).

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2016, the City of Yelm has a 5% share of the equity. Net Assets as of December 31, 2016, were \$75,776. The City of Yelm reports its share of equity interest as an investment in joint venture.

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium). All property is considered to be jointly owned. Parties will be reimbursed based on their contribution upon sale of property upon the dissolution of LERMS. Any member may withdraw from the agreement at the end of any calendar year, providing a notice to the Consortium no less than six months prior to the date of withdrawal. Withdrawal of a party will not terminate the agreement of the remaining parties.

The City of Olympia accounts for the joint venture in a separate agency fund. Completed Financial Statements can be obtained from the City of Olympia Administrative Services Department, PO Box 1967, Olympia, WA 98507.

Note 8 - Other Disclosures

Managerial Funds that are used for City purposes were rolled up to main funds as noted below:

Funds Rolled up to 001

104,105,106,110,119

Funds Rolled up to 202

External Non-Profit Checking Account at Thurston First Bank (Guarantee Fund)

Funds Rolled up to 401

404,405,406,431

Funds Rolled up to 412

203,204,407,413,415,416

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2012 2000 PW Refi/Library	12/1/2031	1,615,000	-	90,000	1,525,000
251.11	2006 Public Safety Bond	12/1/2026	2,785,000	-	230,000	2,555,000
263.61	Reichel Loan	11/1/2017	7,915	-	7,915	0
263.96	2017 Patrol Car (2)	6/1/2020	-	98,934	-	98,934
Total General Obligation Debt/Liabilities:			4,407,915	98,934	327,915	4,178,934
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		395,739	8,684	-	404,424
252.11	1999 Sewer Rev Bonds	12/1/2039	2,784,705	-	83,140	2,701,565
252.11	2010 Water Rev Bonds	12/1/2040	10,185,000	-	270,000	9,915,000
252.11	2013 Water Revenue Refunding Bonds	12/1/2022	950,000	-	145,000	805,000
263.82	1994 DOE SRL-SWR Bond Refi	10/25/2022	555,085	-	92,924	462,161
263.82	1998 DOE SRL-Water Reuse	10/31/2017	90,002	-	90,002	-
263.82	2006 DOE SRL-Reclaimed Water	11/30/2025	434,962	-	45,482	389,480
263.82	2004 DWSRF - PWTF Well #1	10/1/2023	60,765	-	8,681	52,084
263.82	2017 DOE SRL - Comp Plan	4/29/2036	18,500	-	-	18,500
264.30	Net Pension Liability		2,184,483	-	743,587	1,440,896
Total Revenue and Other (non G.O.) Debt/Liabilities:			17,659,242	8,684	1,478,816	16,189,110
Assessment Debt/Liabilities (with commitments)						
253.11	LID 2 - Killion Rd	9/1/2026	4,515,569	-	-	4,515,569
Total Assessment Debt/Liabilities (with commitments):			4,515,569	-	-	4,515,569
Total Liabilities:			26,582,726	107,618	1,806,731	24,883,613

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2000 PW Bond	12/1/2016	50,000	-	50,000	-
251.11	2012 2000 PW Refi/Library	12/1/2031	1,705,000	-	90,000	1,615,000
251.11	2006 Public Safety Bond	12/1/2026	3,010,000	-	225,000	2,785,000
263.96	2013 Patrol Car (1)	6/1/2016	9,443	-	9,443	-
263.61	Reichel Loan	11/1/2017	15,573	-	7,658	7,915
Total General Obligation Debt/Liabilities:			4,790,016	-	382,101	4,407,915
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		303,494	92,245	-	395,739
252.11	1999 Sewer Rev Bonds	12/1/2039	2,865,263	-	80,558	2,784,705
252.11	2010 Water Rev Bonds	12/1/2040	10,450,000	-	265,000	10,185,000
252.11	2013 Water Revenue Refunding Bonds	12/1/2022	1,095,000	-	145,000	950,000
263.82	1994 DOE SRL-SWR Bond Refi	10/25/2022	642,842	-	87,757	555,085
263.82	1998 DOE SRL-Water Reuse	10/31/2017	175,835	-	85,833	90,002
263.82	2006 DOE SRL-Reclaimed Water	11/30/2025	479,767	-	44,805	434,962
263.82	2004 DWSRF - PWTF Well #1	10/1/2023	69,446	-	8,681	60,765
263.82	2015 DOE STORM WATER PLAN	4/29/2036	17,068	1,433	-	18,500
264.30	Net Pension Liability		1,921,804	262,679	-	2,184,483
Total Revenue and Other (non G.O.) Debt/Liabilities:			18,020,518	356,357	717,634	17,659,241
Assessment Debt/Liabilities (with commitments)						
253.11	Bank Loan - LID #2 Killion Rd	9/1/2026	4,749,169	-	233,600	4,515,569
Total Assessment Debt/Liabilities (with commitments):			4,749,169	-	233,600	4,515,569
Total Liabilities:			27,559,703	356,357	1,333,335	26,582,725

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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