



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Granger

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

Published April 25, 2019

Report No. 1023618





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

April 25, 2019

Mayor and City Council
City of Granger
Granger, Washington

Report on Financial Statements

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

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule of Audit Findings and Responses.....	4
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.....	7
Independent Auditor's Report on Financial Statements.....	10
Financial Section.....	14
About the State Auditor's Office.....	44

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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

Background

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

Government Auditing Standards, prescribed by the Comptroller General of United States, require the auditor to communicate significant deficiencies, as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

The current audit identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency:

- The City did not perform an adequate reconciliation of its ending cash and investment balances. The City only reconciled deposits and withdrawals between the bank statements and general ledger instead of reconciling all monthly cash and investment activity, including ending balances and outstanding transactions, to the general ledger activity.
- City staff responsible for financial statement preparation lacked technical knowledge and experience necessary to prepare the financial statements and supplementary schedules accurately and in accordance with the *Budgeting, Accounting, and Reporting System* (BARS) manual.
- The City did not establish a secondary review process to detect and correct errors before submitting the annual financial report for audit.

Cause of Condition

The City changed accounting systems in 2015 and did not ensure staff were adequately trained on how to generate reports necessary to reconcile to the monthly bank statements. Also, the City experienced turnover in key positions responsible for preparing the financial statements.

Effect of Condition

As a result of the deficiencies in internal controls, we identified the following errors:

- We could not fully reconcile the City's total revenues, expenses, and ending cash and investments to the bank activity and identified the following differences:
 - 2016 revenues likely were understated by \$49,022 and ending cash and investments were understated by \$17,203.
 - 2017 revenues likely were overstated by \$17,796, expenses likely were understated by \$67,316, and ending cash and investments were overstated by \$65,613.
- The City did not submit accurate Schedules of Liabilities for audit. The 2016 and 2017 schedules contained the following errors:
 - 2016 – A beginning loan balance was overstated by \$151,570, additions were understated by \$120,816, and the ending balance was overstated by \$30,754.
 - 2016 – Pension liability additions were overstated by \$414,596, resulting in an overstatement of the ending balance by the same amount.
 - 2017 – A beginning loan balance was overstated by \$30,754, and ending balance was overstated by \$30,754.
 - 2017 – The beginning pension liability was overstated by \$414,596, additions were overstated by \$400,053, reductions were understated deductions of \$98,393, and the ending balance was overstated by \$913,042.
- The City's 2016 and 2017 notes to the financial statements had several errors and inconsistencies.

Recommendations

We recommend the City establish and follow effective internal controls over preparation of the financial statements, which should include:

- Developing a monthly cash and investment reconciliation process for all activity, including outstanding warrants, manual checks and deposits in transit, from its bank balance to its general ledger

- Providing general ledger system training to staff responsible for the monthly bank reconciliations so they are familiar with the way the system tracks and reports all financial activity
- Presenting the Schedule of Liabilities accurately, completely, and in accordance with the BARS manual
- Presenting the notes to the financial statement accurately, completely, and in accordance with the BARS manual
- Independently reviewing monthly cash and investment reconciliations, the final financial statements, schedules, and notes for accuracy and reasonableness

City's Response

With the help from the auditors, we now have a better understanding of how to complete the different schedules in the annual report. The Mayor has committed to have the staff trained to make sure the above recommendations are prepared accurately, with training from our software vendor and an independent source who has knowledge of preparing Washington State Annual Reports.

Auditor's Remarks

We appreciate the City's commitment to resolving the issues identified above. We will follow up on the status of this finding during the next regularly scheduled audit.

Applicable Laws and Regulations

RCW 43.09.200 – Local government accounting – Uniform systems of accounting

RCW 43.09.230 – Local government accounting – Annual reports – Comparative statistics

Budgeting Accounting and Reporting System manual, 3.1.3, Internal controls

Government Auditing Standards, December 2011 Revision, paragraph 4.23

The American Institute of Certified Public Accountants *Codification of Statements on Auditing Standards*, section 265 – Communicating Internal Controls Related Matter Identified in Audit, paragraph 7

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

Mayor and City Council
City of Granger
Granger, 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 Granger, 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 April 18, 2019.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 that we consider to be a significant deficiency.

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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy
State Auditor
Olympia, WA

April 18, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Mayor and City Council
City of Granger
Granger, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Granger, 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 14.

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 Granger 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 Granger, 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 Granger, 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 April 18, 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

April 18, 2019

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2017
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Liabilities – 2016

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

		Total for All Funds (Memo Only)	001 CURRENT EXPENSE	100 STREETS	120 EMS FIRE DEPARTMENT
Beginning Cash and Investments					
30810	Reserved	734,332	140,503	-	28,782
30880	Unreserved	1,393,424	101,358	102,360	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,176,196	926,793	40,222	30,474
320	Licenses and Permits	25,620	25,620	-	-
330	Intergovernmental Revenues	320,014	189,760	122,458	-
340	Charges for Goods and Services	1,295,501	26,595	-	-
350	Fines and Penalties	56,864	25,049	-	-
360	Miscellaneous Revenues	165,361	86,056	50,756	997
Total Revenues:		3,039,556	1,279,873	213,436	31,471
Expenditures					
510	General Government	347,524	347,524	-	-
520	Public Safety	820,419	742,567	-	21,736
530	Utilities	1,201,582	-	-	-
540	Transportation	161,871	-	161,871	-
550	Natural and Economic Environment	77,078	76,289	-	-
560	Social Services	759	759	-	-
570	Culture and Recreation	88,208	71,978	-	-
Total Expenditures:		2,697,440	1,239,117	161,871	21,736
Excess (Deficiency) Revenues over Expenditures:		342,115	40,756	51,565	9,735
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	56,000	56,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	42,278	34,778	-	-
381, 395, 398	Other Resources	242,000	-	-	-
Total Other Increases in Fund Resources:		340,278	90,778	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	218,232	2,462	49,718	-
591-593, 599	Debt Service	149,700	2,370	-	-
597	Transfers-Out	56,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	36,761	29,658	-	-
581	Other Uses	242,000	50,000	-	-
Total Other Decreases in Fund Resources:		702,694	84,491	49,718	-
Increase (Decrease) in Cash and Investments:		(20,300)	47,043	1,847	9,735
Ending Cash and Investments					
5081000	Reserved	774,661	140,573	-	38,518
5088000	Unreserved	1,332,707	148,242	104,206	-
Total Ending Cash and Investments		2,107,368	288,815	104,206	38,518

The accompanying notes are an integral part of this statement.

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

		135 CRIMINAL JUSTICE FUND	139 PUBLIC SAFETY FUND	156 EMS TRAUMA CARE GRANT	175 FESTIVAL/FLOA T FUND
Beginning Cash and Investments					
30810	Reserved	3,889	6,334	3,258	40,066
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	55,854	101,474	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	5,677	-	1,270	-
340	Charges for Goods and Services	-	-	-	865
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3	89	-	5,421
Total Revenues:		61,534	101,564	1,270	6,286
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	53,923	2,194	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	16,230
Total Expenditures:		53,923	2,194	-	16,230
Excess (Deficiency) Revenues over Expenditures:		7,611	99,369	1,270	(9,944)
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	-	37,436	2,716	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	56,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	93,436	2,716	-
Increase (Decrease) in Cash and Investments:		7,611	5,933	(1,446)	(9,944)
Ending Cash and Investments					
5081000	Reserved	11,501	12,268	1,813	30,122
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		11,501	12,268	1,813	30,122

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

		190 FED. HOUSING REHAB GRANT	335 CAPITAL IMPROVEMENT PLAN	410 WATER/SEWER	430 GARBAGE
Beginning Cash and Investments					
30810	Reserved	52,868	92,788	283,708	82,135
30880	Unreserved	-	443	1,003,764	169,571
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	21,378	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	850	-	-	-
340	Charges for Goods and Services	-	-	841,167	262,260
350	Fines and Penalties	-	-	31,191	-
360	Miscellaneous Revenues	425	654	18,159	2,726
Total Revenues:		1,275	22,032	890,518	264,986
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	813,992	230,312
540	Transportation	-	-	-	-
550	Natural and Economic Environment	789	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		789	-	813,992	230,312
Excess (Deficiency) Revenues over Expenditures:		486	22,032	76,525	34,674
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	7,500	-
381, 395, 398	Other Resources	-	-	146,000	-
Total Other Increases in Fund Resources:		-	-	153,500	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	117,584	7,466
591-593, 599	Debt Service	-	-	145,156	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	7,103	-
581	Other Uses	-	-	96,000	-
Total Other Decreases in Fund Resources:		-	-	365,843	7,466
Increase (Decrease) in Cash and Investments:		486	22,032	(135,818)	27,208
Ending Cash and Investments					
5081000	Reserved	53,354	115,264	288,014	83,235
5088000	Unreserved	-	-	863,641	195,679
Total Ending Cash and Investments		53,354	115,264	1,151,655	278,913

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

		450 IRRIGATION FUND
		<hr/>
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	15,928
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	164,614
350	Fines and Penalties	624
360	Miscellaneous Revenues	74
Total Revenues:		<hr/> 165,312
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	157,278
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 157,278
Excess (Deficiency) Revenues over Expenditures:		<hr/> 8,034
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	96,000
Total Other Increases in Fund Resources:		<hr/> 96,000
Other Decreases in Fund Resources		
594-595	Capital Expenditures	850
591-593, 599	Debt Service	2,174
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	96,000
Total Other Decreases in Fund Resources:		<hr/> 99,024
Increase (Decrease) in Cash and Investments:		<hr/> 5,010
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	20,939
Total Ending Cash and Investments		<hr/> 20,939

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

		Total for All Funds (Memo Only)	001 CURRENT EXPENSE	100 STREETS	120 EMS FIRE DEPARTMENT
Beginning Cash and Investments					
30810	Reserved	741,396	30,391	-	23,491
30880	Unreserved	1,173,670	51,414	80,938	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,126,251	899,204	39,592	29,137
320	Licenses and Permits	70,652	70,652	-	-
330	Intergovernmental Revenues	638,114	176,621	365,664	-
340	Charges for Goods and Services	1,344,752	74,527	-	-
350	Fines and Penalties	21,870	21,299	-	-
360	Miscellaneous Revenues	109,245	53,926	2,892	95
Total Revenues:		3,310,883	1,296,228	408,147	29,232
Expenditures					
510	General Government	370,435	370,435	-	-
520	Public Safety	842,400	750,372	-	23,940
530	Utilities	1,140,461	-	-	-
540	Transportation	115,144	-	115,144	-
550	Natural and Economic Environment	137,896	134,476	-	-
560	Social Services	964	964	-	-
570	Culture and Recreation	82,932	77,174	-	-
Total Expenditures:		2,690,231	1,333,420	115,144	23,940
Excess (Deficiency) Revenues over Expenditures:		620,652	(37,191)	293,004	5,292
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	176,880	-	-	-
397	Transfers-In	35,154	35,154	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	30,172	24,572	-	-
381, 395, 398	Other Resources	465,334	100,000	-	-
Total Other Increases in Fund Resources:		707,540	159,726	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	528,324	26,145	271,581	-
591-593, 599	Debt Service	169,585	1,212	-	-
597	Transfers-Out	35,154	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	30,440	25,728	-	-
581	Other Uses	352,000	50,000	-	-
Total Other Decreases in Fund Resources:		1,115,502	103,085	271,581	-
Increase (Decrease) in Cash and Investments:		212,690	19,449	21,423	5,292
Ending Cash and Investments					
5081000	Reserved	734,332	-	-	28,782
5088000	Unreserved	1,393,424	101,254	102,360	-
Total Ending Cash and Investments		2,127,756	101,254	102,360	28,782

The accompanying notes are an integral part of this statement.

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

		135 CRIMINAL JUSTICE FUND	137 CRIME PREVENTION FUND	139 PUBLIC SAFETY FUND	156 EMS TRAUMA CARE GRANT
Beginning Cash and Investments					
30810	Reserved	24,926	3,516	42,284	2,884
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	51,932	-	94,759	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	5,242	-	-	1,290
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	29	558	104	-
Total Revenues:		57,203	558	94,863	1,290
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	57,698	-	10,390	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		57,698	-	10,390	-
Excess (Deficiency) Revenues over Expenditures:		(495)	558	84,473	1,290
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	-	20,000	-	-
Total Other Increases in Fund Resources:		-	20,000	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	85,279	916
591-593, 599	Debt Service	542	-	-	-
597	Transfers-Out	-	-	35,144	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	20,000	-	-	-
Total Other Decreases in Fund Resources:		20,542	-	120,423	916
Increase (Decrease) in Cash and Investments:		(21,037)	20,558	(35,950)	374
Ending Cash and Investments					
5081000	Reserved	3,889	24,074	6,334	3,258
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		3,889	24,074	6,334	3,258

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

		175 FESTIVAL/FLOA T FUND	190 FED. HOUSING REHAB GRANT	195 COSECHA COURT CDBG PROJECT	210 SEID LOAN FUND
Beginning Cash and Investments					
30810	Reserved	39,011	44,559	10	0
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	11,553	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	6,813	175	-	-
Total Revenues:		6,813	11,728	-	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	3,420	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	5,758	-	-	-
Total Expenditures:		5,758	3,420	-	-
Excess (Deficiency) Revenues over Expenditures:		1,055	8,308	-	-
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	-	-	10	0
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	10	0
Increase (Decrease) in Cash and Investments:		1,055	8,308	(10)	(0)
Ending Cash and Investments					
5081000	Reserved	40,066	52,868	-	-
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		40,066	52,868	-	-

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

		335 CAPITAL IMPROVEMENT PLAN	350 FIRE DEPT. RES	410 WATER/SEWER	430 GARBAGE
Beginning Cash and Investments					
30810	Reserved	81,161	3,095	363,932	82,135
30880	Unreserved	107	-	877,879	150,311
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	11,627	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	77,745	-
340	Charges for Goods and Services	-	-	864,629	254,878
350	Fines and Penalties	-	-	571	-
360	Miscellaneous Revenues	337	103	40,577	916
Total Revenues:		11,964	103	983,521	255,794
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	766,664	226,596
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	766,664	226,596
Excess (Deficiency) Revenues over Expenditures:		11,964	103	216,858	29,198
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	176,880	-
397	Transfers-In	-	-	0	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	5,600	-
381, 395, 398	Other Resources	-	113,334	141,000	-
Total Other Increases in Fund Resources:		-	113,334	323,480	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	132,253	9,938
591-593, 599	Debt Service	-	-	166,712	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	4,711	-
581	Other Uses	-	-	191,000	-
Total Other Decreases in Fund Resources:		-	-	494,676	9,938
Increase (Decrease) in Cash and Investments:		11,964	113,437	45,662	19,260
Ending Cash and Investments					
5081000	Reserved	92,788	116,429	283,708	82,135
5088000	Unreserved	443	103	1,003,764	169,571
Total Ending Cash and Investments		93,232	116,532	1,287,472	251,706

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

		450 IRRIGATION FUND
		<hr/>
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	13,021
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	150,718
350	Fines and Penalties	-
360	Miscellaneous Revenues	2,722
Total Revenues:		<hr/> 153,440
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	147,201
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 147,201
Excess (Deficiency) Revenues over Expenditures:		<hr/> 6,239
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	91,000
Total Other Increases in Fund Resources:		<hr/> 91,000
Other Decreases in Fund Resources		
594-595	Capital Expenditures	2,213
591-593, 599	Debt Service	1,118
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	91,000
Total Other Decreases in Fund Resources:		<hr/> 94,332
Increase (Decrease) in Cash and Investments:		<hr/> 2,907
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	15,928
Total Ending Cash and Investments		<hr/> 15,928

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Agency
308	Beginning Cash and Investments	75,833	67,359	8,474
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	60,350	566	59,783
510-590	Deductions	61,923	-	61,923
	Net Increase (Decrease) in Cash and Investments:	(1,574)	566	(2,140)
508	Ending Cash and Investments	74,259	67,925	6,334

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	622 BELL MEMORIAL FUND	630 COURT
308	Beginning Cash and Investments	71,456	67,115	4,341
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	52,815	517	52,299
380-390	Other Increases and Financing Sources	-	-	-
510-570	Expenditures	273	273	-
580-590	Other Decreases and Financing Uses	48,166	-	48,166
	Net Increase (Decrease) in Cash and Investments:	4,377	244	4,133
508	Ending Cash and Investments	75,833	67,359	8,474

The accompanying notes are an integral part of this statement.

CITY OF GRANGER

NOTES TO FINANCIAL STATEMENTS

January 1, 2017 through December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The City of Granger was incorporated on October 1, 1909 and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor-council form of government. The City of Granger is a general purpose local government and provides public safety, fire protection, street improvements, parks, general administrative services, water, sewer, irrigation, and garbage services. In addition, the City of Granger owns and operates a sewer system.

The City of Granger 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. The 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.
- 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 City of Granger 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 City of Granger'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 (Current Expense)

This fund is the primary operating fund of the City of Granger. 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 City of Granger.

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 City of Granger on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

Agency Funds

Fund 630 Court. These funds are used to account assets that City of Granger holds for others in an agency capacity.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Granger 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 Granger adopts annual appropriated budgets for the Street, EMS, Criminal Justice, Crime Prevention, Public Safety, EMS Trauma Care, Festival/Float, General Reserve, Federal Housing Rehabilitation, Planning Only Grant, Capital Improvements, Fire Dept. Reserve, Water/Sewer, Garbage, Consumer Deposit, Irrigation, Garbage Reserve, Water-Sewer Reserve, and Bell Memorial funds. These budgets are appropriated at the fund level except the General (Current Expense) Fund, where budget is adopted at the department 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	Fund Rolled Into
001 General Fund	\$ 1,462,168.00	\$ 1,243,038.61	\$ 219,129.38	
100 Street Fund	\$ 248,396.00	\$ 211,588.83	\$ 36,807.17	
120 EMS Fund	\$ 30,030.00	\$ 21,753.53	\$ 8,276.47	
135 Criminal Justice Fund	\$ 58,768.00	\$ 53,922.75	\$ 4,845.25	
137 Crime Prevention Fund	\$ 25,078.00	\$ 910.86	\$ 24,167.14	001
139 Public Safety Fund	\$ 96,075.00	\$ 95,630.51	\$ 444.49	
156 EMS Trauma Care Grant	\$ 2,800.00	\$ 2,715.75	\$ 84.25	
175 Festival/Float Fund	\$ 16,850.00	\$ 16,229.82	\$ 620.18	
185 General Reserve Fund	\$ 30,465.00	\$ -	\$ 30,465.00	001

190 Fed. Housing Rehab Fund	\$ 48,044.00	\$ 788.54	\$ 47,255.46	
196 Planning Only Grant Fund	\$ 17,040.00	\$ -	\$ 17,040.00	410
335 Cap. Improvement Fund	\$ 98,335.00	\$ -	\$ 98,335.00	
350 Fire Department Reserve	\$ 53,110.00	\$ 55,000.00	\$ (1,890.00)	001
410 Water-Sewer Fund	\$ 1,096,846.00	\$ 1,076,731.88	\$ 20,114.12	
430 Garbage Fund	\$ 314,585.00	\$ 237,778.30	\$ 76,806.70	
440 Consumer Deposit Fund	\$ 4,000.00	\$ -	\$ 4,000.00	410
450 Irrigation Fund	\$ 164,960.00	\$ 160,301.25	\$ 4,658.75	
451 Garbage Reserve Fund	\$ 82,314.00	\$ -	\$ 82,314.00	430
480 W-S Reserve Fund	\$ 395,631.00	\$ -	\$ 395,631.00	410
622 Bell Memorial Fund	\$ 67,567.00	\$ -	\$ 67,567.00	

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 Granger's legislative body.

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to 35 days depending on the years of service and is payable upon separation or retirement.

Sick leave may be accumulated up to 640 hours. Upon retirement, employees may receive payment for unused sick leave depending on their hire dates. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, Debt Service Requirements.

H. Reserved Portion of Ending Cash and Investments

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

Reservation of Ending Cash and Investments consist of:

120 EMS Fire Department Fund: Revenues and expenditures are for an ongoing method to promote the funding of emergency medical services by the Granger Fire and Police per Ordinance 740. The Ending Fund Balance of \$38,518.11 is reserved. The fund stands alone.

135 Criminal Justice Fund: Revenues and expenditures are an ongoing method to promote the funding of criminal justice projects. The Ending Fund Balance of \$11,500.64 is reserved. The fund stands alone.

137 Crime Prevention Fund: Revenues and expenditures are for an ongoing method to combat criminal activities per Granger Municipal Code Ch. 1.18 and 3.90. The Ending Fund Balance of \$23,317.56 is reserved. The fund is rolled into Current Expense Fund 001 for reporting.

139 Public Safety Fund: Revenues are derived from the three-tenths of one percent local sales and use tax within Yakima County. Expenditures shall be for criminal justice and public safety purposes. The Ending Fund Balance of \$12,267.51 is reserved. The fund stands alone.

156 EMS Trauma Care Grant: Revenues and Expenditures shall be used for EMS and Fire Department purposes per Ordinance 1214. The Ending Fund Balance of \$1,812.71 is reserved. The fund stands alone.

175 Festival/Float Fund: Revenues and expenditures are in support of the city community festival program. The Ending Fund Balance of \$30,122.40 is reserved. The fund stands alone.

190 Federal Housing Rehab Fund: This is a special fund created for the administration of the Federal Housing Rehab grant. The Ending Fund Balance of \$53,353.99 is reserved. The fund stands alone.

196 Planning Only Grant Fund: This is a special fund created for all costs of consulting, engineering and any other costs relating to the development of a water system comprehensive plan under a Community Development Block Grant Per GMC Ch. 3.64. The Ending Fund Balance of \$18,190.88 is reserved. In 2016, the fund stood alone. In 2017, the fund is rolled into the Water-Sewer Fund 410 for reporting.

335 Capital Improvement Plan: Revenues are derived from the Real Estate Excise Tax (REET). Expenditures shall be solely for local capital projects identified in RCW 82.46.010 which are identified in the capital facilities plan element of the city's Growth Management Act Comprehensive Plan. The ending balance of \$115,263.93 is reserved. The fund stands alone.

350 Fire Dept. Reserve Fund: This fund was previously shown as a 100 Special Revenue Fund. Since this Fund is a Capital Projects Fund, the City changed the Fund Number from 150 to 350. Revenues and expenditures are for an ongoing method for purchasing fire-fighting equipment per Ordinance 1248. The Ending Fund Balance is \$62,255.27. The fund rolls into Current Expense 001 for reporting.

440 Consumer Deposit Fund: A Trust Fund to hold water service deposits until renter ceases service, the deposit shall be refunded, less any unpaid account charges per Granger Municipal Code 13.24.140 C. The Ending Fund Balance of \$41,261.23 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

451 Garbage Reserve Fund: Ordinance 567 established this reserve fund for the purchase of garbage disposal/collection equipment and the monies in this fund shall not be expended for any other purpose. The Ending Fund Balance of \$83,234.54 is reserved. The Fund is rolled in the Garbage Fund 430 for reporting.

480 Water-Sewer Reserve Fund: Revenues and expenditures shall support the operation and improvements of the water-sewer fund as deemed by the Granger City Council per Granger Municipal Code 3.110.010. The Ending Fund Balance of \$228,562.08 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

630 Court Fund: Municipal Court revenues and expenditures are outlined in the Granger Municipal Code. Ch. 2.36. The Ending Fund Balance of \$6,333.86 is reserved. The Fund stands alone.

Note 2 - Deposits and Investments.

It is the City of Granger'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. All

investments are insured, registered or held by the City of Granger or its agent in the City of Granger's name.

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

<u>Type of Investment</u>	<u>City of Granger's Own investments</u>	<u>Investments held by City as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
L.G.I.P.	\$ 754,154.41	\$ _____	\$ 754,154.41
Time Value Investments	\$ 990,000.00	\$ _____	\$ 990,000.00
Total	\$1,744,154.41	\$ _____	\$1,744,154.41

Securities Lending Transactions None.

Derivatives None.

Compensating Balances None.

Note 3 - Property Tax

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

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

The City of Granger's regular levy for the year 2017 was \$2.69 per \$1,000 on an assessed valuation of \$93,800,941 for a total regular levy of \$240,521.

Included with the property tax are the Real Estate Excise Taxes (REET) which is placed in the Capital Improvement Fund 335, regulated by RCW. Five Percent (5%) of the property taxes are placed in the Street Fund 100. The City also receives money from the EMS Tax Levy which is placed in the EMS Fire Department Fund 120.

100 Street Fund	\$12,165.87
120 EMS Fire Department Fund, EMS Tax Levy portion	\$30,474.12
335 Capital Improvement Fund, REET	\$21,378.40

Note 4- Inter-fund Loans

The following table displays inter-fund loan activity during 2017:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2017</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2017</u>
001	410	\$ 0	\$ 50,000	\$ 50,000	\$ 0
450	480	\$ 0	\$ 96,000	\$ 96,000	\$ 0
TOTALS		\$ 0	\$146,000	\$146,000	\$ 0

Note 5 - Debt Service Requirements.

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 89,854.05	\$ 55,302.17	\$145,156.22
2019	\$ 92,015.47	\$ 53,140.75	\$145,156.22
2020	\$ 94,192.51	\$ 50,963.71	\$145,156.22
2021	\$ 96,496.23	\$ 48,659.99	\$145,156.22
2022	\$ 98,819.36	\$ 46,336.86	\$145,156.22
2023-2027	\$530,937.46	\$197,843.64	\$728,781.10
2028-2032	\$598,099.10	\$127,682.00	\$725,781.10
2033-2037	\$423,096.57	\$ 56,148.07	\$479,244.64
2038-2042	\$ 79,560.88	\$ 29,879.12	\$109,440.00
2043-2047	\$ 93,363.62	\$ 16,076.38	\$109,440.00
2048-2049	<u>\$ 41,732.09</u>	<u>\$ 2,043.91</u>	<u>\$ 43,776.00</u>
TOTALS	<u>\$ 2,238,167.34</u>	<u>\$684,076.60</u>	<u>\$2,922,243.94</u>

Note 6 - Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Granger'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 PERS 2, PERS 3, LEOFF 2 and Deferred Compensation Program administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The 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 requires supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

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

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

	Allocation %	Liability (Asset)
PERS 1	.004449%	\$ 211,109
PERS 2/3	.005438%	\$ 188,945
LEOFF 1	.000721%	\$ (10,939)
LEOFF 2	.010240%	\$ (142,098)

LEOFF Plan 1

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

LEOFF Plan 2

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

Note 7 Risk Management

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

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

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

retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

Note 8 Other Disclosures

The City of Granger has a commitment to pay for post-employment benefits for employees that belong to the Department of Retirement (LEOFF1) these benefits include all medical and vision care. One retiree received benefits during the 2017 year and \$6,762.60 was paid out for those benefits.

CITY OF GRANGER

NOTES TO FINANCIAL STATEMENTS

January 1, 2016 through December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The City of Granger was incorporated on October 1, 1909 and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor-council form of government. The City of Granger is a general purpose local government and provides public safety, fire protection, street improvements, parks, general administrative services, water, sewer, irrigation, and garbage services. In addition, the City of Granger owns and operates a sewer system.

The City of Granger 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. The 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. The City of Granger has no Component units.
- 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 City of Granger 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 City of Granger'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 (Current Expense)

This fund is the primary operating fund of the City of Granger. 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 City of Granger.

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 City of Granger on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

Agency Funds

Fund 630 Court. These funds are used to account assets that City of Granger holds for others in an agency capacity.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Granger 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 Granger adopts annual appropriated budgets for the Street, EMS, Criminal Justice, Crime Prevention, Public Safety, Fire Dept. Reserve, EMS Trauma Care, Festival/Float, General Reserve, Federal Housing Rehabilitation, Cosecha Court, Planning Only, SEID, Capital Improvements, Water/Sewer, Garbage, Consumer Deposit, Irrigation, Garbage Reserve, PWTF Reserve, W/S Reserve, and Bell Memorial fund. These budgets are appropriated at the fund level except the General (Current Expense) Fund, where budget is adopted at the department 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	Fund Rolled Into
001 General Fund	\$ 1,350,290.00	\$ 1,339,339.19	\$ 10,950.81	
100 Street Fund	\$ 411,263.00	\$ 386,724.81	\$ 24,538.19	
120 EMS Fund	\$ 30,359.00	\$ 23,940.48	\$ 6,418.52	
135 Criminal Justice Fund	\$ 64,000.00	\$ 58,240.09	\$ 5,759.91	
137 Crime Prevention Fund	\$ 25.00	\$ -	\$ 25.00	
139 Public Safety Fund	\$ 130,844.00	\$ 130,812.69	\$ 31.31	
156 EMS Trauma Care Grant	\$ 1,300.00	\$ 915.72	\$ 384.28	
175 Festival/Float Fund	\$ 5,800.00	\$ 5,758.21	\$ 41.79	
185 General Reserve Fund	\$ 22,020.00	\$ 21,437.57	\$ 582.43	001
190 Fed. Housing Rehab Fund	\$ 3,627.00	\$ 3,419.97	\$ 207.03	

195 Cosecha Court Fund	\$ 10.00	\$ 10.00	\$ -	
196 Planning Only Grant Fund	\$ -	\$ -	\$ -	
210 SEID Loan Fund	\$ -	\$.31	\$ (.31)	
335 Cap. Improvement Fund	\$ 8,075.00	\$ -	\$ 8,075.00	
350 Fire Department Reserve	\$ 15.00	\$ -	\$ 15.00	
410 Water-Sewer Fund	\$ 1,000,271.00	\$ 982,438.57	\$ 17,832.43	
430 Garbage Fund	\$ 292,338.00	\$ 236,533.39	\$ 55,804.61	
440 Consumer Deposit Fund	\$ 40,000.00	\$ -	\$ 40,000.00	410
450 Irrigation Fund	\$ 171,482.00	\$ 150,532.73	\$ 20,949.27	
451 Garbage Reserve Fund	\$ 80,135.00	\$ -	\$ 80,135.00	430
475 PWTF Reserve Fund	\$ 104,367.60	\$ 104,367.60	\$ -	410
480 W-S Reserve Fund	\$ 292,110.00	\$ -	\$ 292,110.00	410
622 Bell Memorial Fund	\$ 67,140.00	\$ 272.53	\$ 66,867.47	

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 Granger's legislative body.

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to 35 days depending on the years of service and is payable upon separation or retirement.

Sick leave may be accumulated up to 640 hours. Upon retirement, employees may receive payment for unused sick leave depending on their hire dates. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, Debt Service Requirements.

H. Other Financing Sources or Uses

The City of Granger's *Other Financing Sources or Uses* consist of:

Interfund loans
Long Term Debt

I. Risk Management

The City of Granger is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk

management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 98 municipalities/entities participate in the AWC RMSA pool.

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

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

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

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

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

J. Reserved Portion of Ending Cash and Investments

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

In relation to internal commitments, the Granger City Council may establish, modify or rescind a fund balance commitment by Ordinance.

The following funds are consolidated within the appropriate primary fund and reported under 508.10 Reserved.

120 EMS Fire Department Fund: Revenues and expenditures are for an ongoing method to promote the funding of emergency medical services by the Granger Fire and Police per Ordinance 740. The Ending Fund Balance of \$28,782.20 is reserved. The fund stands alone.

135 Criminal Justice Fund: Revenues and expenditures are an ongoing method to promote the funding of

criminal justice projects. The Ending Fund Balance of \$3,889.07 is reserved. The fund stands alone.

137 Crime Prevention Fund: Revenues and expenditures are for an ongoing method to combat criminal activities per Granger Municipal Code Ch. 1.18 and 3.90. The Ending Fund Balance of \$24,074.09 is reserved. The fund stands alone.

139 Public Safety Fund: Revenues are derived from the three-tenths of one percent local sales and use tax within Yakima County. Expenditures shall be for criminal justice and public safety purposes. The Ending Fund Balance of \$6,334.46 is reserved. The fund stands alone.

156 EMS Trauma Care Grant: Revenues and Expenditures shall be used for EMS and Fire Department purposes per Ordinance 1214. The Ending Fund Balance of \$3,258.46 is reserved. The fund stands alone.

175 Festival/Float Fund: Revenues and expenditures are in support of the city community festival program. The Ending Fund Balance of \$40,066.02 is reserved. The fund stands alone.

190 Federal Housing Rehab Fund: This is a special fund created for the administration of the Federal Housing Rehab grant. The Ending Fund Balance of \$52,867.60 is reserved. The fund stands alone.

195 Cosecha Court Fund: This was a special fund created for the administration of CDBG Program Grant Monies. The fund is rolled into the General Fund 001 for reporting. Per Ordinance 1221, July 2015, the fund was closed and the balance less \$10.00 was transferred to General Reserve Fund 185. In 2016, the remaining \$10.00 was transferred to General Reserve Fund 185.

196 Planning Only Grant Fund: This is a special fund created for all costs of consulting, engineering and any other costs relating to the development of a water system comprehensive plan under a Community Development Block Grant Per GMC Ch. 3.64. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

335 Capital Improvement Plan: Revenues are derived from the Real Estate Excise Tax (REET). Expenditures shall be solely for local capital projects identified in RCW 82.46.010 which are identified in the capital facilities plan element of the city's Growth Management Act Comprehensive Plan. The ending balance of \$92,788.41 is reserved.

350 Fire Dept. Reserve Fund: This fund was previously shown as a 100 Special Revenue Fund. Since this Fund is a Capital Projects Fund, the City changed the Fund Number from 150 to 350. Revenues and expenditures are for an ongoing method for purchasing fire-fighting equipment per Ordinance 1248. The Ending Fund Balance is \$113,437.10; \$113,333.89 is reserved.

440 Consumer Deposit Fund: A Trust Fund to hold water service deposits until renter ceases service, the deposit shall be refunded, less any unpaid account charges per Granger Municipal Code 13.24.140 C. The Ending Fund Balance of \$40,864.23 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

451 Garbage Reserve Fund: Ordinance 567 established this reserve fund for the purchase of garbage disposal/collection equipment and the monies in this fund shall not be expended for any other purpose. The Ending Fund Balance of \$82,134.68 is reserved. The Fund is rolled in the Garbage Fund 430 for reporting.

475 PWTF Reserve Fund: This reserve fund was established for the purpose of making payment on the public works trust fund loan. The Fund was previously rolled into the Water-Sewer Fund 410 for reporting. Per Ordinance 1259, October 2016 this fund was closed, and the balance of \$21,177.33 was transferred into the Water-Sewer Reserve Fund 480, which is rolled into 410 Water-Sewer Fund and eliminated for reporting.

480 Water-Sewer Reserve Fund: Revenues and expenditures shall support the operation and

improvements of the water-sewer fund as deemed by the Granger City Council per Granger Municipal Code 3.110.010. The Ending Fund Balance of \$224,937.49 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

630 Court Fund: Municipal Court revenues and expenditures are outlined in the Granger Municipal Code. Ch. 2.36. The Ending Fund Balance of \$12,089.14 is reserved. The Fund stands alone.

Note 2 - Deposits and Investments.

It is the City of Granger'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. All investments are insured, registered or held by the City of Granger or the Washington State Local Investment Pool, its agent in the City of Granger's name.

Investments are reported at original cost to the Washington State Local Investment Pool. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>City of Granger's Own investments</u>	Investments held by City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	<u>\$ 1,833,495.66</u>	\$ _____	<u>\$1,833,495.66</u>
Total	<u>\$ 1,833,495.66</u>	\$ _____	<u>\$1,833,495.66</u>

Securities Lending Transactions

None.

Derivatives

None.

Note 3 - Property Tax

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

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

The City of Granger's regular levy for the year 2016 was \$2.56 per \$1,000 on an assessed valuation of \$94,848,954 for a total regular levy of \$235,138.

Included with the property tax are the Real Estate Excise Taxes (REET) which is placed in the Capital Improvement Fund 335, regulated by RCW. Five Percent (5%) of the property taxes are placed in the Street Fund 100. The City also receives money from the EMS Tax Levy which is placed in the EMS Fire Department Fund 120.

100 Street Fund	\$11,247.23
120 EMS Fire Department Fund, EMS Tax Levy portion	\$29,137.21
335 Capital Improvement Fund, REET	\$11,626.95

Note 4- Inter-fund Loans

The following table displays inter-fund loan activity during 2016:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2016</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2016</u>
135	137	<u>\$ 20,000</u>	<u>\$.00</u>	<u>\$ 20,000</u>	<u>\$.00</u>
001	410	<u>\$.00</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$.00</u>
450	480	<u>\$.00</u>	<u>\$ 91,000</u>	<u>\$ 91,000</u>	<u>\$.00</u>
TOTALS		<u>\$ 20,000</u>	<u>\$ 191,000</u>	<u>\$ 161,000</u>	<u>\$ 50,000</u>

Note 5 - Debt Service Requirements.

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$87,743.97	\$57,412.25	\$145,156.22
2018	\$89,854.05	\$55,302.17	\$145,156.22
2019	\$92,015.47	\$53,140.75	\$145,156.22
2020	\$94,192.51	\$50,963.71	\$145,156.22
2021	\$96,496.23	\$48,659.99	\$145,156.22
2022-2026	\$518,445.36	\$210,335.74	\$728,781.10
2027-2031	\$584,032.16	\$141,748.94	\$725,781.10
2032-2036	\$534,030.20	\$68,482.66	\$602,512.86
2037-2041	\$77,056.54	\$32,383.46	\$109,440.00
2042-2046	\$90,424.81	\$19,015.19	\$109,440.00
2047-2049	\$61,620.01	\$4,043.99	\$65,664.00
TOTALS	<u>\$ 2,325,911.31</u>	<u>\$741,488.85</u>	<u>\$3,067,400.16</u>

Note 6 - Pension Plans

Substantially all City of Granger's full-time and qualifying part-time employees participate in PERS 2 , LEOFF 2 and Deferred Compensation Program administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The 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 requires supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

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

On June 30, 2016, the City of Granger's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	4.21%	\$ 226,258
PERS 2/3	5.40%	\$ 272,188
LEOFF 1	.071%	\$ (7,325)
LEOFF 2	1.27%	\$ (74,018)

LEOFF Plan 1

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

LEOFF Plan 2

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

Note 7 Other Disclosures

The City of Granger has a commitment to pay for post-employment benefits for employees that belong to the Department of Retirement (LEOFF1) these benefits include all medical and vision care. One retiree received benefits during the 2016 year and \$6,762.60 was paid out for those benefits.

**City of Granger
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						
263.81	2010 USDA RD Loan	5/25/2050	438,933	-	7,623	431,310
263.81	WA ST Water Pollution	8/30/2035	1,886,899	-	80,121	1,806,778
Total General Obligation Debt/Liabilities:			2,325,832	-	87,744	2,238,088
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		73,891	63,510	69,005	68,396
264.30	Pension Liability		498,446	-	98,393	400,053
Total Revenue and Other (non G.O.) Debt/Liabilities:			572,337	63,510	167,398	468,449
Total Liabilities:			2,898,169	63,510	255,142	2,706,537

**City of Granger
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						
263.81	2010 USDA RD Loan	5/25/2050	446,277	-	7,344	438,933
263.81	2002 PW Board Loan	6/1/2021	82,084	-	82,084	-
263.81	WA ST Water Pollution	8/30/2035	1,740,064	192,405	45,570	1,886,899
Total General Obligation Debt/Liabilities:			2,268,425	192,405	134,998	2,325,832
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		73,630	44,389	44,128	73,891
264.30	Pension Liability		414,596	83,850	-	498,446
Total Revenue and Other (non G.O.) Debt/Liabilities:			488,226	128,239	44,128	572,337
Total Liabilities:			2,756,651	320,644	179,126	2,898,169

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