



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Battle Ground

For the period January 1, 2018 through December 31, 2018

Published June 6, 2019

Report No. 1024004





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

June 6, 2019

Mayor and City Council
City of Battle Ground
Battle Ground, Washington

Report on Financial Statements

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

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

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.....	4
Independent Auditor's Report on Financial Statements.....	6
Financial Section.....	9
About the State Auditor's Office.....	79

**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 Battle Ground
January 1, 2018 through December 31, 2018**

Mayor and City Council
City of Battle Ground
Battle Ground, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 29, 2019. As discussed in Note 16 to the financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy
State Auditor
Olympia, WA

May 29, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Battle Ground January 1, 2018 through December 31, 2018

Mayor and City Council
City of Battle Ground
Battle Ground, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 16 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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



Pat McCarthy
State Auditor
Olympia, WA

May 29, 2019

FINANCIAL SECTION

City of Battle Ground January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Governmental Funds Balance Sheet – 2018

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2018

Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Notes to Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2018

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2018

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2018

Notes to Required Supplemental Information – Pension – 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Battle Ground for the fiscal year ended December 31, 2018. This information should be read in conjunction with the basic financial statements and notes to the financial statements that follow. The discussion and analysis includes comparative data for 2017.

2018 FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the city exceeded its liabilities and deferred inflows by \$131.5 million (*net position*). Of this amount, \$26.8 million represents unrestricted net position of which \$4.2 million is unrestricted net position of the governmental activities and \$22.7 is unrestricted net position of the business-type activities. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Net investment in capital assets accounts for 74.1 percent of total net position, with a value of \$97.4 million, an increase of \$2.8 million over 2017.
- The city's total governmental funds reported combined ending fund balances of \$14.0 million, an increase of \$2.1 million over 2017. Of a total \$6.9 million of restricted fund balance, \$6.7 million is restricted for capital purposes. Remaining fund balances include \$238,127 committed to economic stabilization; \$972,271 assigned to LEOFF 1, parks, insurance reserve and streets; and \$5.8 million is unassigned to the general fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the city's basic financial statements and is intended to assist users in interpretation of the basic financial statements. The basic financial statements are consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements present the city's financial condition in a manner similar to private sector statements. These statements distinguish functions of the city that are primarily supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities").

Governmental activities of the city include a full range of local government services provided to the public, such as law enforcement and public safety, fire protection, road construction and maintenance, community planning and development, parks and recreation facilities, and other community services. These activities are primarily supported by taxes, licenses and permits, fines and forfeitures, and charges for general governmental services.

Business-type activities of the city are mainly supported by user fees and charges. The business-type activities of the city include storm water drainage, water, and sewer utilities and internal services for fleet administration and technology.

Statement of Net Position

This statement presents financial information on all of the city's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the city is improving or deteriorating.

Statement of Activities

This statement presents information designed on how the city's net position changed during the fiscal year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. Revenue generated by the specific functions (charges for services, grants, and contributions) is compared to expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All changes in net position are reported using the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of the timing of related cash flows. Items such as, but not limited to, uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses, even though no cash has changed hands.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions, or limitations. The city, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. All of the city's funds are divided into two categories: governmental funds or proprietary funds.

Governmental Funds

Governmental funds represent most of the city's basic services such as public safety, parks, streets and many other general administrative type services. The city maintains sixteen individual governmental funds. The general fund is a major fund and, for reporting purposes, includes the general, parks, insurance reserve, LEOFF I, and economic stabilization funds. Financial data for the remaining governmental funds are combined into a single, aggregated presentation. These other nonmajor governmental funds include special revenue funds, debt service fund and capital project funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. Such information is useful in evaluating a government's near-term financing requirements in comparison to resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. This give readers a better understanding of the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The city maintains budgetary controls over its operating funds through council adoption of the budget. Budgets are adopted at the fund level for all funds in accordance with state law. Budgetary comparison schedules are presented in this report following the combining statements of other governmental funds.

Proprietary Funds

Proprietary funds account for business-type activities. Business-type activities provide specific goods or services to a group of customers paid for by fees charged to those customers. The city has two types of proprietary fund: enterprise funds and internal service funds. Enterprise funds account for goods and services provided to citizens and the community. Internal service funds account for goods and services provided internally to various city

departments. The same basis of accounting is used for proprietary funds in both the government-wide statements and the individual fund statements.

Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Fund statements provide more detail than is reported in the government-wide statements. The city uses enterprise funds to account for storm drainage, water, and sewer utilities.

Internal service funds report activities that provide supplies and services for city programs. Internal service funds account for fleet administration and technology. Given that these services benefit governmental operations more than business-type functions, internal service funds are included within governmental activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

Other Information

This report also presents certain required supplementary information regarding pension related data and postemployment medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information is located immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The *Statement of Net Position* can serve as a useful indicator of the city's financial position. The city's total net position was \$131.5 million at December 31, 2018 as compared to \$124.6 million at December 31, 2017. The following is a condensed version of the *Government-wide Statement of Net Position*.

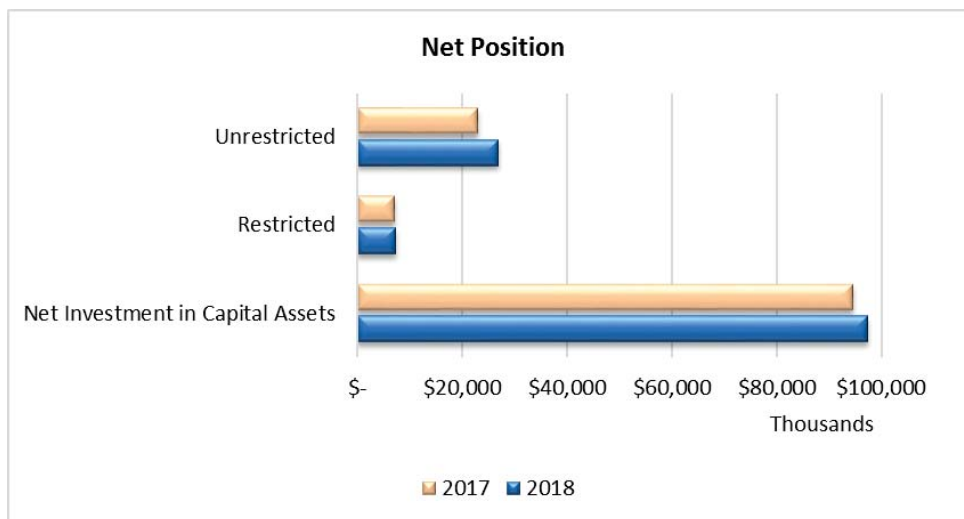
Net position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 17,282,537	\$ 15,328,753	\$ 23,936,536	\$ 21,218,973	\$ 41,219,073	\$ 36,547,726
Capital assets (net of depr)	56,517,949	54,939,744	59,052,589	59,284,856	115,570,538	114,224,600
Total assets	73,800,486	70,268,497	82,989,125	80,503,829	156,789,611	150,772,326
Deferred Outflow of Resources	471,960	453,846	85,567	98,829	557,527	552,675
Liabilities						
Current	1,670,063	1,503,210	256,535	267,622	1,926,598	1,770,832
Noncurrent	13,217,753	14,323,030	9,425,922	9,861,434	22,643,675	24,184,464
Total liabilities	14,887,816	15,826,240	9,682,457	10,129,056	24,570,273	25,955,296
Deferred Inflow of Resources	1,093,438	615,729	179,161	110,315	1,272,599	726,044
Net position						
Net investment in capital assets	47,192,935	44,439,495	50,237,762	50,173,640	97,430,697	94,613,135
Restricted	6,938,802	6,801,503	297,778	297,778	7,236,580	7,099,281
Unrestricted	4,159,455	3,039,376	22,677,534	19,891,869	26,836,989	22,931,245
Total net position	\$ 58,291,192	\$ 54,280,374	\$ 73,213,074	\$ 70,363,287	\$ 131,504,266	\$ 124,643,661

The largest portion of the city's net position is its net investment in capital assets. This category makes up 74.1 percent of the city's total net position and though the city uses these capital assets to provide services to its citizens, these assets are not available for future spending.

Restricted net position makes up 5.5 percent of the total net position and represents the resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, enabling legislation, grant requirements, or other legal or contractual reason which imposes a limit on the use of the assets which is outside the control of the city.

The remaining balance of \$26.8 million is unrestricted and may be used to meet the city's ongoing obligations to its citizens and creditors. Although this amount is unrestricted, a significant portion has been reserved or set aside for various purposes.

At the end of the current fiscal year, the city is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

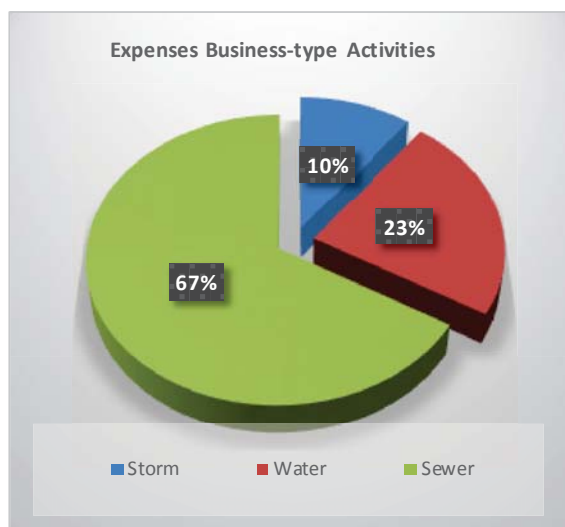
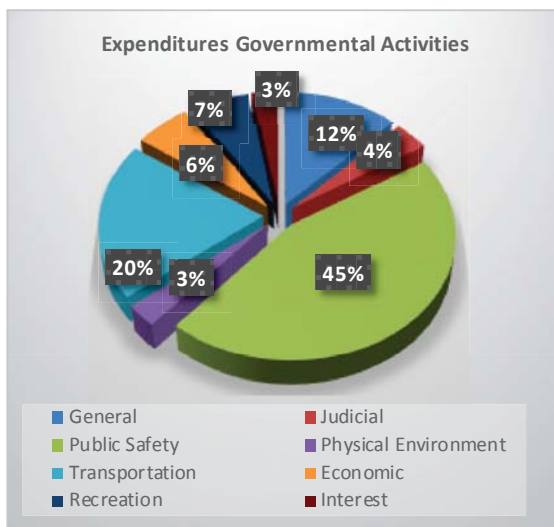
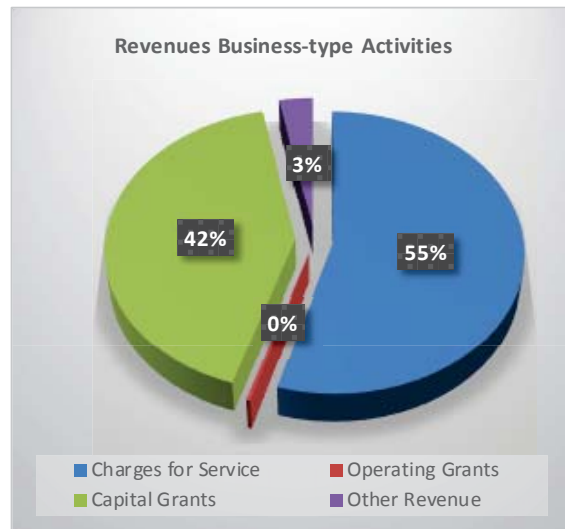


Statement of Activities

The *Statement of Activities* reports the change in net position for the fiscal year. At December 31, 2018, total ending net position increased by \$6.9 million, or 5.5 percent. Business-type funds increased by \$2.8 million, or 4.1 percent, primarily due to infrastructure contributions by developers. Net position of governmental activities increased by \$4.0 million, or 7.4 percent, due to increased building activity and consumer spending.

The full statement is a tabular depiction of the relationship of revenues and expenses for the city's governmental activities and proprietary funds. The graphs that follow illustrate the sources of revenue and the balance of governmental versus business type expenses for 2018.

Statement of Activities						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 3,352,433	\$ 3,032,685	\$ 8,573,851	\$ 7,765,560	\$ 11,926,284	\$ 10,798,245
Operating Grants	1,134,990	1,062,301	50,000	-	1,184,990	1,062,301
Capital Grants	4,849,346	6,339,352	6,614,179	5,330,573	11,463,525	11,669,925
General Revenue					-	
Property Taxes	3,049,456	2,902,251		-	3,049,456	2,902,251
Sales Taxes	3,723,445	3,521,945		-	3,723,445	3,521,945
Other Taxes	4,434,968	4,374,540		-	4,434,968	4,374,540
Interest Income	209,631	98,941	319,724	169,175	529,355	268,116
Other Revenues	458,818	466,640	168,445	133,928	627,263	600,568
Total Revenues	21,213,087	21,798,655	15,726,199	13,399,236	36,939,286	35,197,891
Expenses						
General Government	1,994,437	1,818,329			1,994,437	1,818,329
Judicial	602,107	730,455			602,107	730,455
Public Safety	7,305,827	6,766,840			7,305,827	6,766,840
Physical Environment	477,150	457,270			477,150	457,270
Transportation	3,291,877	3,279,449			3,291,877	3,279,449
Economic Environment	996,604	941,778			996,604	941,778
Culture and Recreation	1,042,660	1,049,993			1,042,660	1,049,993
Storm Drainage			1,332,675	1,380,733	1,332,675	1,380,733
Water			2,985,843	2,914,232	2,985,843	2,914,232
Sewer			8,557,894	5,686,127	8,557,894	5,686,127
Interest Expense	430,418	460,347			430,418	460,347
Total Expenses	16,141,080	15,504,461	12,876,412	9,981,092	29,017,492	25,485,553
Change in Net Position	5,072,007	6,294,194	2,849,787	3,418,144	7,921,794	9,712,338
Net Position - beginning	53,219,185	47,986,180	70,363,287	66,945,143	123,582,472	114,931,323
Net Position - ending	\$ 58,291,192	\$ 54,280,374	\$ 73,213,074	\$ 70,363,287	\$ 131,504,266	\$ 124,643,661



Governmental Activity Analysis

Taxes are the main source of revenue that support governmental activities. The three major tax sources are property tax, sales and use tax, and utility taxes.

Property tax is a fairly stable source of revenue for the city. However, property tax growth is dependent upon new construction and annexations since Initiative 747 limits tax increases to the lesser of the implicit price deflator or one percent. The city's property tax rate decreased slightly from \$1.59 (2017) to \$1.50 (2018) of assessed valuations due to increasing assessed valuations. The tax levy for 2018 tax collections increased \$159,286 over the 2017 levy primarily due to new construction. 2018 property tax collections were \$3,049,015.

The sales tax rate in the city is 8.4 percent on all retail sales. Retail sales and use tax collected increased \$201,501 (5.7%) from the prior year due to continuing improvement in the local economy and employment. In 2018, sales and use tax revenue was \$3,723,445.

Utility taxes may be levied on the gross operating revenues earned by public and private utilities from operations within the city limits. Legislation limits the tax rate that the city may impose on gas, electric, and telephone utilities to six percent unless a vote of the people authorizes a higher rate. There are no restrictions on the tax rates for water, sewer, and storm water utilities. The 2018 city utility tax rate was 20 percent. These "other taxes" generated \$4,434,968 of revenue.

Revenues tied to residential development and home purchases remained strong in 2018. Fees for building permits, building plan checks, and zoning and subdivision services were \$1.28 million as compared to \$1.23 million in 2017. Real estate excise tax was approximately \$1.1 million for each of the years 2017 and 2018.

Governmental activities expenses increased \$636,619 (4.1%) over 2017. Most of this increase was due to collective bargaining agreements with built-in salary and benefit adjustments, costs of providing health care, increases in retirement costs, and inflationary increases tied to maintaining current service levels. After many years of cost and staff reductions and deferral of street, parks, and facility maintenance, efforts continue to fund critical infrastructure and facility improvements.

Business-Type Activities Analysis

The financial position of the city's business-type funds consists of the storm drainage, water, and sewer funds. Charges for services are the main source of revenue for these business-type activities. Total business-type charges for service revenues increased \$808,291 (10.4%) over 2017. This was primarily due to rate increases as well as from new customers due to development. Rates are indexed per recommendations from external utility rate studies to determine the appropriate rate based on future capital needs as well as inflationary adjustments for operations.

- The storm drainage fund had an overall increase in net position of \$2.1 million (18.6%) primarily due to a rate increase and impact on cash position and investment in capital assets.
- The water fund had an overall increase in net position of \$1.7 million (7.2%) primarily due to increased rates and impact on cash position and investment in capital assets.
- The sewer fund had an overall decrease in net position of \$993,101 (-2.8%) primarily due to the remaining amortization of an intangible asset.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

As noted earlier, the City of Battle Ground uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the city's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. Unassigned fund balance may serve as a useful measure of the city's net resources available for discretionary use as these resources represent the portion of fund balance which has not yet been limited as to use for a particular purpose by either an external party, the city itself, or a group or individual that has been delegated authority to assign resources for specific purposes by city council.

At December 31, 2018, the city's governmental funds reported combined fund balances of \$14.0 million, an increase of \$2.1 million over 2017. \$5.8 million of this amount constitutes unassigned fund balance, which is available for spending at the city's discretion. The remainder of the fund balance is either: 1) restricted for

particular purposes in the amount of \$6,938,802; committed for particular purposes in the amount of \$238,127; or 3) assigned for particular purposes in the amount of \$972,271.

The general fund is the chief operating fund of the city. At the end of the fiscal year, unassigned fund balance of the general fund was \$5,840,214, while total fund balance increased to \$6,544,985. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 44.6% of total general fund expenditures, while total fund balance represents approximately 50% of that same amount.

Statement of Governmental Fund Balances			
	2018	2017	\$ Change
General Fund			
Committed	238,127	382,871	(144,744)
Assigned	466,644	483,837	(17,193)
Unassigned	5,840,214	4,934,677	905,537
Total General Fund	<u>\$ 6,544,985</u>	<u>\$ 5,801,385</u>	<u>\$ 743,600</u>
All Other Governmental Funds			
Restricted	6,938,802	5,787,548	1,151,254
Assigned	505,627	253,684	251,943
Total All Other Governmental Funds	<u>\$ 7,444,429</u>	<u>\$ 6,041,232</u>	<u>\$ 1,403,197</u>
Total Governmental Fund Balance	<u><u>\$ 13,989,414</u></u>	<u><u>\$ 11,842,617</u></u>	<u><u>\$ 2,146,797</u></u>

Business-Type Funds Analysis

The city's proprietary fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities, although in more detail. Internal service funds, although proprietary, are not included within business-type activities.

Proprietary funds are those funds that account for government operations where the intent is for the costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and internal service funds provide their services primarily within the city, or to other governmental units. The city has three business-type funds, all of which are enterprise funds.

The water fund and the sewer fund are the two largest enterprise funds of the city. The water fund accounts for 34.6%, the sewer fund 47.1%, and the storm drainage fund 18.3% of the total net position for enterprise funds. The water fund had total net position at year-end of \$25.2 million, the sewer fund \$34.3 million, and the storm drainage fund \$13.3 million. The water and sewer utility funds each showed an operating loss, primarily for depreciation expense. After capital contributions and interest earnings, the storm drainage and water funds reported an increase in net position. The sewer fund had a decrease in net position.

Total water fund operating revenues for 2018 were \$2.9 million as compared to \$2.7 million in 2017. Total operating expenses were \$2.9 million as compared to \$2.8 million in 2017. This increase is primarily due to increases in depreciation expense, equipment purchases, and personnel costs.

Total sewer fund operating revenues for 2018 were \$4.3 million as compared to \$3.8 million in 2017. Total operating expenses were \$8.4 million as compared to \$5.5 million in 2017. This increase is primarily due to increases in depreciation, amortization expense of \$2.4 million for an intangible asset (see Note 16), intergovernmental services, and personnel costs.

Total storm drainage operating revenues for 2018 were \$1.4 million as compared to \$1.2 million in 2017. Total operating expenses were \$1.3 million for 2018 as compared to \$1.4 million in 2017. This decrease was primarily due to deferral of maintenance and allocation of other expenses.

Statement of Proprietary Fund Net Position								
	Business-type Activities Enterprise Funds						Governmental Activities	
	Storm Drainage		Water		Sewer		Internal Service	
	2018	2017	2018	2017	2018	2017	2018	2017
Net Position								
Net Investment in Capital Assets	10,827,621	9,295,324	16,129,830	15,347,092	23,280,313	25,531,223	746,146	253,980
Restricted (Debt Service)					297,778	297,778		
Unrestricted	2,486,077	1,933,864	9,026,917	8,124,740	10,702,226	9,444,417	778,954	1,128,355
Total Net Position	<u>\$ 13,313,698</u>	<u>\$ 11,229,188</u>	<u>\$ 25,156,747</u>	<u>\$ 23,471,832</u>	<u>\$ 34,280,317</u>	<u>\$ 35,273,418</u>	<u>\$ 1,525,100</u>	<u>\$ 1,382,335</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The city appropriated funds through the adoption of the 2017-2018 biennial budget. Budget amendments are made throughout each year of the biennial budget as needed and approved by ordinance action by city council. The following table shows the changes between the original and the final biennial general fund budget (does not include parks and reserve funds), and the variances between the final budget to actual revenues and expenditures:

	Original 2017-2018 budget	Final 2017-2018 Budget	Change Increase (Decrease)	Actual at 12/31/2018	Variance Positive (Negative)	Percentage of Actual to Budget
Revenues:						
Taxes	\$ 17,924,625	\$ 17,924,625	\$ -	\$ 19,546,815	\$ 1,622,190	109%
License and permits	2,642,056	2,642,056	-	2,144,718	(497,338)	81%
Intergovernmental	1,133,268	1,148,268	15,000	1,446,569	298,301	126%
Charges for services	2,974,556	2,974,556	-	3,586,186	611,630	121%
Other revenues	930,600	930,600	-	1,026,910	96,310	110%
Total revenues	25,605,105	25,620,105	15,000	27,751,198	2,131,093	108%
Expenditures:						
General government	5,157,318	5,305,771	148,453	5,315,576	(9,805)	100%
Judicial	1,403,149	1,418,149	15,000	1,438,104	(19,955)	101%
Security/Persons and property	13,936,166	14,141,074	204,908	13,945,314	195,760	99%
Physical Environment	929,255	929,255	-	928,399	856	100%
Economic Environment	2,076,140	2,176,140	100,000	1,976,875	199,265	91%
All other expenditures	116,686	116,686	-	187,680	(70,994)	161%
Total Expenditures	23,618,714	24,087,075	468,361	23,791,948	295,127	99%

The shortfall in revenue variance for *License and Permits* was due to the timing of development. Development did not occur as estimated in the biennial budget timeframe and actual revenue for building permits and building plan checks lagged these estimates.

Increases in appropriations reflects council's commitment to using one-time grant revenue and transfers from other funds (e.g. Real Estate Investment Tax Fund) to fund facility repairs, technology upgrades, and the first phase of the city's Visioning process. Actual expenditures were under budget by \$295,127.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The city's investment in capital assets, including construction in progress, totals \$115.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructural improvements, intangible assets, machinery and equipment, park facilities, and construction in progress. Capital assets are affected by various additions and deletions, and by depreciation. Additions are from the purchase and/or construction of capital assets, current year work in process expenses, or from developer contributions. Deletions are from the sale or loss of a capital asset. The table below reflects an increase in net capital assets of \$1.3 million in 2018.

	Governmental Activities		Business-Type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,060,373	\$ 16,060,373	\$ 3,647,342	\$ 3,133,639	\$ 19,707,715	\$ 19,194,012
Construction in progress	388,156	1,933,195	347,133	266,485	735,289	2,199,680
Buildings	9,548,836	9,929,484	887,351	921,290	10,436,187	10,850,774
Machinery and equipment	1,327,813	1,102,369	117,731	64,543	1,445,544	1,166,912
Infrastructure	28,283,457	24,933,038	44,017,513	41,309,353	72,300,970	66,242,391
Improvements other than buildings	909,314	981,285	26,308	27,952	935,622	1,009,237
Intangible assets		-	10,009,211	13,561,594	10,009,211	13,561,594
Total	<u>\$ 56,517,949</u>	<u>\$ 54,939,744</u>	<u>\$ 59,052,589</u>	<u>\$ 59,284,856</u>	<u>\$ 115,570,538</u>	<u>\$ 114,224,600</u>

Major capital events during the 2018 fiscal year included the following:

- Completion of intersection and street improvements for NW 5th Way. Funding was through Connect Washington and city transportation impact fees. Project cost was \$1.74 million.
- The city previously leased property from the Department of Natural Resources (DNR) where one of the city's water reservoir tanks was constructed. This property acquisition was completed in 2018 at a cost to the city of \$188,428.
- Acquisition of several public safety vehicles and public works equipment
- Completion of the LED light replacement project for existing street lights in partnership with the State of Washington and Clark Public Utilities.

Additional information on the city's capital assets is located in Note 4 in the notes to the financial statement in this report.

Long-term Debt

At December 31, 2018, the city had total long-term debt outstanding of \$18,139,840. Of this amount, \$8,324,809 is general obligation debt, including \$69,809 of issuance premium. General obligation bonds are direct obligations and pledge the full faith and credit of the city. The city's remaining capacity for non-voted long-term general obligation debt is approximately \$26.4 million. Standard and Poor's last affirmed the city's rating of "AA-" for its general obligation debt in September 2014 citing strong budgetary flexibility and management.

The city has entered into lease arrangements for purchase of public safety vehicles and equipment. Outstanding capital lease obligations at December 31, 2018 are \$500,204.

At December 31, 2018 there were outstanding government long-term loans made by the State of Washington under the Public Works Trust Fund Loan Program of \$107,998 for sewer lines and \$500,000 for West Main Street improvements. USDA sewer revenue bonds of \$6,264,727 and water revenue bonds of \$2,442,102 were also outstanding at year end.

The table below is a comparison of the summary for outstanding debt at December 31, 2017 and 2018.

Outstanding Debt						
	Governmental Activities		Business-Type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 8,255,000	\$ 9,005,000	\$ -	\$ -	\$ 8,255,000	\$ 9,005,000
Capital leases	500,204	809,865	-	-	500,204	809,865
Government loans	500,000	600,000	107,998	161,996	607,998	761,996
Revenue bonds		-	8,706,829	8,949,221	8,706,829	8,949,221
Issuance premium (LTGO)	69,809	85,379			69,809	85,379
Total	\$ 9,325,013	\$ 10,500,244	\$ 8,814,827	\$ 9,111,217	\$ 18,139,840	\$ 19,611,461

Additional information on the city's long-term debt is located in Note 7 in the notes to the financial statement in this report.

ECONOMIC OUTLOOK AND FUTURE CONDITIONS

The city serves city residents as well as a greater trade area of about 82,600 people. For the period 2009-2018, the population of Battle Ground increased 21.8 percent, from 17,150 to 20,890 citizens. Residential and commercial development increased in the city while the broader regional economy also improved with increased employment and economic development. However, the city is challenged to sustain service and program levels to this growing population. Staffing levels have not been regained since layoffs made during the last recession. To address these challenges, the city has initiated an on-going visioning process involving community engagement.

The city's adopted financial policies continue to guide the financial operations and the 2019 budget process. City council repealed the biennial budget process by Ordinance 2018-16 and reverted back to a fiscal year budget effective January 1, 2019 supported by a six-year forecast. With a backlog of deferred maintenance, compliance with constantly changing statewide legislative and regulatory mandates, and increased operational costs, a shorter budget cycle and longer planning horizon provides a better opportunity for focusing on core services identified by city council and responding to market and economic factors.

The city has made increasing efforts to find opportunities for cost savings, has maintained conservation and sustainability initiatives, has leveraged partnerships with other agencies, and has invested in technology to improve delivery of core services. The 2019 budget and work plans continue to support and build on these efforts.

- In 2018, the city converted to a new cloud-based enterprise resource planning (ERP) system that integrates accounting, personnel, project, utility, and budget applications throughout the city. The final phase of the system will be completed in 2019 with the integration of community development services.
- Maintenance of the city's transportation system will continue in 2019 in various locations throughout the community and funded through the Transportation Benefit District. From a regional perspective,

transportation improvements will begin along State Routes 502 and 503 and funded through the state's 2015 *Connecting Washington* program.

- Consistent with maintaining sound and stable utilities, external forecasts and rate studies were completed with recommendations of rate increases for all city utilities. 2019 rate increases are necessary for infrastructure maintenance and rehabilitation costs and to comply with current unfunded mandates.

Requests for Information

This financial report provides a general overview of City of Battle Ground's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, address to the Finance Department, City of Battle Ground, 109 SW 1st Street, Suite 217, Battle Ground, WA, 98604.

CITY OF BATTLE GROUND
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total Primary Government
Assets			
Cash and Cash Equivalents	\$ 14,233,837	\$ 21,904,077	\$ 36,137,914
Investments	196,937	303,063	500,000
Receivables	1,799,788	969,306	2,769,094
Internal Balances	(462,312)	462,312	-
Restricted Assets			
Cash and Cash Equivalents	-	297,778	297,778
Net Pension Asset	1,514,287	-	1,514,287
Capital Assets (not being depreciated)			
Land	16,060,373	3,647,342	19,707,715
Construction Work in Progress	388,156	347,133	735,289
Capital Assets (net of accumulated depreciation)			
Buildings	9,548,836	887,351	10,436,187
Improvements Other than Buildings	909,314	26,308	935,622
Intangible Assets	-	10,009,211	10,009,211
Machinery and Equipment	1,327,813	117,731	1,445,544
Infrastructure	28,283,457	44,017,513	72,300,970
Total Assets	<u>73,800,486</u>	<u>82,989,125</u>	<u>156,789,611</u>
Deferred Outflows of Resources			
Related to Pensions	439,757	85,567	525,324
Related to OPEB	32,203	-	32,203
Total Deferred Outflows of Resources	<u>471,960</u>	<u>85,567</u>	<u>557,527</u>
Liabilities			
Accounts Payable	841,256	90,560	931,816
Other Current Liabilities	197,642	70,860	268,502
Accrued Interest Payable	44,127	94,183	138,310
Custodial Deposits	161,049	-	161,049
Noncurrent Liabilities			
Due within One Year	1,303,561	322,723	1,626,284
Due in More than One Year	9,138,594	8,642,354	17,780,948
Net Pension Liability	1,473,582	461,777	1,935,359
OPEB Liability	1,728,005	-	1,728,005
Total Liabilities	<u>14,887,816</u>	<u>9,682,457</u>	<u>22,842,268</u>
Deferred Inflows of Resources			
Related to Pensions	1,093,438	179,161	1,272,599
Total Deferred Inflows of Resources	<u>1,093,438</u>	<u>179,161</u>	<u>1,272,599</u>
Net Position			
Net Investment in Capital Assets	47,192,935	50,237,762	97,430,697
Restricted for			
Capital	6,673,924	-	6,673,924
Debt Service	-	297,778	297,778
Drug Investigation	55,388	-	55,388
Tourist Promotion	209,490	-	209,490
Unrestricted	4,159,455	22,677,534	26,836,989
Total Net Position	<u>\$ 58,291,192</u>	<u>\$ 73,213,074</u>	<u>\$ 131,504,266</u>

The notes to the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Statement of Activities
For the year ended December 31, 2018

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	\$ 3,166,019	\$ (1,171,582)	\$ 283,560	\$ 25,860	\$ -	\$ (1,685,017)	\$ -	\$ (1,685,017)
Judicial	602,107	-	169,059	21,243	-	(411,805)	-	(411,805)
Public Safety	7,305,827	-	350,655	205,442	-	(6,749,730)	-	(6,749,730)
Physical Environment	477,150	-	17,894	-	-	(459,256)	-	(459,256)
Transportation	3,291,877	-	-	877,479	4,849,346	2,434,948	-	2,434,948
Economic Environment	996,604	-	2,367,537	-	-	1,370,933	-	1,370,933
Culture and Recreation	1,042,660	-	163,728	4,966	-	(873,966)	-	(873,966)
Interest Expense	430,418	-	-	-	-	(430,418)	-	(430,418)
TOTAL GOVERNMENTAL ACTIVITIES	17,312,662	(1,171,582)	3,352,433	1,134,990	4,849,346	(6,804,311)	-	(6,804,311)
Business Type Activities:								
Storm Drainage	1,009,992	322,683	1,386,111	50,000	1,942,255	-	2,045,691	2,045,691
Water	2,628,838	357,005	2,884,377	-	1,657,315	-	1,555,849	1,555,849
Sewer	8,066,000	491,894	4,303,363	-	3,014,609	-	(1,239,922)	(1,239,922)
TOTAL BUSINESS-TYPE ACTIVITIES	11,704,830	1,171,582	8,573,851	50,000	6,614,179	-	2,361,618	2,361,618
Total Primary Government	\$ 29,017,492	\$ -	\$ 11,926,284	\$ 1,184,990	\$ 11,463,525	\$ (6,804,311)	\$ 2,361,618	\$ (4,442,693)
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes						3,049,456	-	3,049,456
Sales and Use Taxes						3,723,445	-	3,723,445
Business and Occupation Taxes						3,357,670	-	3,357,670
Excise Taxes						1,077,298	-	1,077,298
Grants and Contributions not Restricted to Specific Programs						362,403	-	362,403
Unrestricted Investment Earnings						209,631	319,724	529,355
Gain on Sale of Capital Assets						4,680	3,033	7,713
Miscellaneous						91,735	165,412	257,147
Total General Revenues						11,876,318	488,169	12,364,487
Change in Net Position						5,072,007	2,849,787	7,921,794
Net Position - Beginning						54,280,374	70,363,287	124,643,661
Change in Accounting Principle (See Notes 11 and 17)						(1,061,189)	-	(1,061,189)
Net Position as of January 1 - restated						53,219,185	70,363,287	123,582,472
Net Position - Ending						\$ 58,291,192	\$ 73,213,074	\$ 131,504,266

The notes to the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Governmental Funds
Balance Sheet
December 31, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 5,923,045	\$ 7,533,304	\$ 13,456,349
Investments	81,950	104,230	186,180
Property Taxes Receivables	47,432	-	47,432
Utility Tax Receivable	192,350	-	192,350
Accounts Receivable	1,102,327	245,809	1,348,136
Interest Receivable	-	-	-
Municipal Court Receivable	211,869	-	211,869
Total Assets	7,558,973	7,883,343	15,442,316
Liabilities			
Accounts Payable	261,021	370,308	631,329
Due to Other Governmental Units	(3,579)		(3,579)
Other Accrued Liabilities	342,541	68,606	411,147
Custodial Deposits	161,049		161,049
Total Liabilities	761,032	438,914	1,199,946
Deferred Inflows of Resources			
Unavailable revenue-property taxes	41,087	-	41,087
Unavailable revenue-municipal court	211,869	-	211,869
Total Deferred Inflows of Resources	252,956	-	252,956
Fund Balances			
Restricted for:			
Capital	-	6,673,924	6,673,924
Drug Investigation	-	55,388	55,388
Tourist Promotion	-	209,490	209,490
Committed to:			
Economic Stabilization	238,127	-	238,127
Assigned to:			
LEOFF 1	75,527	-	75,527
Parks	383,123	-	383,123
Insurance Reserve	7,994	-	7,994
Street	-	505,627	505,627
Unassigned	5,840,214	-	5,840,214
Total Fund Balances	6,544,985	7,444,429	\$ 13,989,414
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,558,973	\$ 7,883,343	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excludes internal service funds)	55,440,173
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds (see note 2A)	1,145,765
Long-term liabilities that are not due and payable in the current period and are not reported in the funds (see note 2A)	(13,346,948)
Net position of internal service funds - governmental activities (see note 2A)	1,062,788
Net position of governmental activities	\$ 58,291,192

The notes to the financial statements are an integral part of this statement.

CITY OF BATTLE GROUND
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 3,049,015	\$ -	\$ 3,049,015
Sales and Use Taxes	3,723,445	-	3,723,445
Other Taxes	3,148,452	1,412,711	4,561,163
License and Permits	1,181,600	-	1,181,600
Intergovernmental	755,723	1,606,721	2,362,444
Charges for Services	1,810,757	986,755	2,797,512
Fines and Forfeits	243,280	-	243,280
Interest Earnings	89,377	109,400	198,777
Rents and Royalties	277,815	-	277,815
Contributions/Donations	22,145	118,989	141,134
Miscellaneous	66,505	20,883	87,388
Total Revenues	<u>14,368,114</u>	<u>4,255,459</u>	<u>18,623,573</u>
Expenditures			
Current			
General Government	2,813,508	-	2,813,508
Judicial	700,282	-	700,282
Security/Persons and Property	7,317,159	1,593	7,318,752
Physical Environment	489,047	-	489,047
Transportation	-	1,053,875	1,053,875
Economic Environment	1,050,336	17,354	1,067,690
Culture and Recreation	652,483	-	652,483
Capital Expenditures			-
Security/Persons and Property	390	-	390
Transportation	-	796,622	796,622
Debt Service			-
Principal Retirement	54,123	850,000	904,123
Interest/Fiscal Charges	4,511	432,726	437,237
Total Expenditures	<u>13,081,839</u>	<u>3,152,170</u>	<u>16,234,009</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,286,275	1,103,289	2,389,564
Other Financing Sources (Uses)			
Sale of Capital Assets	-	2,210	2,210
Insurance Recoveries	4,344	-	4,344
Transfers In	51,385	1,957,684	2,009,069
Transfers Out	(598,404)	(1,659,986)	(2,258,390)
Total Other Financing Sources and Uses	<u>(542,675)</u>	<u>299,908</u>	<u>(242,767)</u>
Net Change in Fund Balance	743,600	1,403,197	2,146,797
Fund Balance at Beginning of Year	5,801,385	6,041,232	11,842,617
Fund Balance at End of Year	<u>\$ 6,544,985</u>	<u>\$ 7,444,429</u>	<u>\$ 13,989,414</u>

The notes to the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balance - total governmental funds:	\$ 2,146,797
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.	(2,341,115)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, trade-ins, and donations) is to increase net position.	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,708,442
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	904,123
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	584,458
Internal service funds are used by management to charge the costs of vehicle and technology replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	69,302
Change in Net Position of Governmental Activities	<u>\$ 5,072,007</u>

The notes to the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended December 31, 2018

	Budget Amounts		Actual Year-To-	Variance Thru
	Original 2017-2018 Biennium	Final 2017-2018 Biennium	Date Thru 12/31/18	12/31/18
Revenues				
Property Taxes	\$ 5,835,100	\$ 5,835,100	\$ 5,955,420	\$ 120,320
Sales and Use Taxes	6,378,000	6,378,000	7,245,389	867,389
Other Taxes	5,711,525	5,711,525	6,346,006	634,481
License and Permits	2,642,056	2,642,056	2,144,718	(497,338)
Intergovernmental	1,133,268	1,148,268	1,446,569	298,301
Charges for Services	2,974,556	2,974,556	3,586,186	611,630
Fines and Forfeits	527,600	527,600	485,195	(42,405)
Interest Earnings	22,000	22,000	111,755	89,755
Rents and Royalties	270,000	270,000	272,321	2,321
Contributions/Donations	-	-	25,895	25,895
Miscellaneous	111,000	111,000	131,744	20,744
Total Revenues	25,605,105	25,620,105	27,751,198	2,131,093
Expenditures				
Current				
General Government	5,157,318	5,305,771	5,315,576	(9,805)
Judicial	1,403,149	1,418,149	1,438,104	(19,955)
Security/Persons and Property	13,936,166	14,141,074	13,945,314	195,760
Physical Environment	929,255	929,255	928,399	856
Economic Environment	2,076,140	2,176,140	1,976,875	199,265
Capitalized Expenditures	-	-	82,350	(82,350)
Debt Service				
Principal Retirement	102,020	102,020	90,664	11,356
Interest/Fiscal Charges	14,666	14,666	14,666	(0)
Total Expenditures	23,618,714	24,087,075	23,791,948	295,127
Excess (Deficiency) of Revenues Over (under) Expenditures	1,986,391	1,533,030	3,959,250	2,426,220
Other Financing Sources (Uses)				
Payment to Refunded Bond Escrow Agent	-	-	4,344	4,344
Transfers In	10,800	200,800	203,464	2,664
Transfers Out	(2,037,361)	(1,895,000)	(1,899,546)	(4,546)
Total Other Financing Sources and Uses	(2,026,561)	(1,694,200)	(1,691,738)	2,462
Net Change in Fund Balance	(40,170)	(161,170)	2,267,512	2,428,682
Fund Balance at Beginning of Year	1,003,049	1,117,854	3,572,702	2,454,848
Fund Balance at End of Year	\$ 962,879	\$ 956,684	\$ 5,840,214	\$ 4,883,530
Adjustment to generally accepted accounting principles (GAAP) basis:				
Parks Fund budgeted as separate fund			\$ 383,123	
Insurance Reserve Fund budgeted as separate fund			7,994	
LEOFF I Reserve Fund budgeted as separate fund			75,527	
Economic Stabilization Fund budgeted as separate fund			238,127	
Fund Balance GAAP basis:			\$ 6,544,985	

The notes to the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Net Position
December 31, 2018

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Assets					
Current Assets					
	\$ 2,547,729	\$ 9,004,362	\$ 10,351,986	\$ 21,904,077	\$ 777,488
	35,250	124,583	143,230	303,063	10,757
Accounts	139,246	288,053	542,007	969,306	
Total Current Assets	<u>2,722,225</u>	<u>9,416,998</u>	<u>11,037,223</u>	<u>23,176,446</u>	<u>788,245</u>
Noncurrent Assets					
Restricted Cash and Cash Equivalents	-	-	297,778	297,778	-
Property, Plant and Equipment (Net)	10,827,621	18,571,932	29,653,036	59,052,589	1,077,775
Total Noncurrent Assets	<u>10,827,621</u>	<u>18,571,932</u>	<u>29,950,814</u>	<u>59,350,367</u>	<u>1,077,775</u>
Total Assets	<u>13,549,846</u>	<u>27,988,930</u>	<u>40,988,037</u>	<u>82,526,813</u>	<u>1,866,020</u>
Deferred Outflows of Resources					
Deferred Outflows Related to Pensions	27,686	33,280	24,601	85,567	-
Liabilities					
Current Liabilities					
Accounts Payable	9,624	55,778	25,158	90,560	-
Accrued Interest Payable	-	11,682	82,501	94,183	9,291
Other Accrued Liabilities	23,067	31,355	16,438	70,860	-
Compensated Absences	3,202	5,262	4,117	12,581	-
Lease Payable	-	-	-	-	159,789
Bonds, Notes and Loans Payable	-	145,483	164,659	310,142	-
Total Current Liabilities	<u>35,893</u>	<u>249,560</u>	<u>292,873</u>	<u>578,326</u>	<u>169,080</u>
Noncurrent Liabilities					
Lease Payable	-	-	-	-	171,840
Developer Credits	-	932	-	932	-
Bonds, Notes and Loan Payable	-	2,296,619	6,208,065	8,504,684	-
Compensated Absences	20,563	69,069	47,106	136,738	-
Net Pension Liability	149,410	179,601	132,766	461,777	-
Total Noncurrent Liabilities	<u>169,973</u>	<u>2,546,221</u>	<u>6,387,937</u>	<u>9,104,131</u>	<u>171,840</u>
Total Liabilities	<u>205,866</u>	<u>2,795,781</u>	<u>6,680,810</u>	<u>9,682,457</u>	<u>340,920</u>
Deferred Inflows of Resources					
Deferred Inflows Related to Pensions	57,968	69,682	51,511	179,161	-
Net Position					
Net Investment in Capital Assets	10,827,621	16,129,830	23,280,313	50,237,764	746,146
Restricted for Debt Service	-	-	297,778	297,778	-
Unrestricted	2,486,077	9,026,917	10,702,226	22,215,220	778,954
Total Net Position	<u>\$ 13,313,698</u>	<u>\$ 25,156,747</u>	<u>\$ 34,280,317</u>	<u>\$ 72,750,762</u>	<u>\$ 1,525,100</u>
Adjustment to report cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time (See Note 2C)				462,312	
Net position of business-type activities				<u>\$ 73,213,074</u>	

The notes to the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended December 31, 2018

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charge for Services	\$ 1,386,111	\$ 2,880,620	\$ 4,303,363	\$ 8,570,094	\$ 304,898
Miscellaneous	-	3,757	-	3,757	-
State and Federal Grants	50,000	-	-	50,000	-
Total Operating Revenues	<u>1,436,111</u>	<u>2,884,377</u>	<u>4,303,363</u>	<u>8,623,851</u>	<u>304,898</u>
Operating Expenses					
Personnel Services	449,311	527,783	398,636	1,375,730	-
Equipment and Supplies	28,774	523,730	30,922	583,426	209,347
Professional Services	55,686	54,173	15,719	125,578	-
Utilities	449	262,157	80,676	343,281	-
Repairs and Maintenance	30,502	45,374	124,225	200,102	-
Taxes	26,081	154,833	79,226	260,140	-
Intergovernmental services	-	-	2,795,409	2,795,409	-
Insurance	12,450	16,372	21,971	50,793	-
Allocated expenses	322,683	357,006	491,893	1,171,582	-
Other	68,679	121,890	93,598	284,167	-
Depreciation	338,060	840,773	4,235,353	5,414,186	203,188
Total Operating Expenses	<u>1,332,675</u>	<u>2,904,091</u>	<u>8,367,628</u>	<u>12,604,394</u>	<u>412,535</u>
Operating Income (loss)	103,436	(19,714)	(4,064,265)	(3,980,543)	(107,637)
Nonoperating Revenues (Expenses)					
State and Federal Grants	-	-	-	-	-
Miscellaneous Revenues	-	-	91,949	91,949	-
Interest and Fiscal Charges	-	(81,752)	(190,266)	(272,018)	(12,243)
Gain (loss) on Sale of Capital Assets	3,033	-	-	3,033	2,470
Total Nonoperating Revenues (Expenses)	<u>38,819</u>	<u>47,315</u>	<u>56,555</u>	<u>142,689</u>	<u>1,082</u>
Income (Loss) before Contributions , Transfers, and Special Items	142,255	27,601	(4,007,710)	(3,837,854)	(106,555)
Capital Contributions	1,942,255	1,657,314	3,014,609	6,614,179	-
Transfers In	-	-	-	-	254,830
Transfers Out	-	-	-	-	(5,510)
Change in Net Position	<u>2,084,510</u>	<u>1,684,915</u>	<u>(993,101)</u>	<u>2,776,325</u>	<u>142,765</u>
Total Net Position at Beginning of Year	11,229,188	23,471,832	35,273,418		1,382,335
Total Net Position at End of Year	<u>\$ 13,313,698</u>	<u>\$ 25,156,747</u>	<u>\$ 34,280,317</u>		<u>\$ 1,525,100</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				73,463	
Changes in net position of business-type activities				<u>\$ 2,849,788</u>	

The notes of the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2018

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:					
Cash received from Customers	\$ 1,370,795	\$ 2,879,830	\$ 4,289,549	\$ 8,540,174	\$ -
Proceeds from Operating Grants	50,000			50,000	
Receipts from vehicle interfund charges					194,572
Receipts from technology interfund charges					110,326
Cash payments to Suppliers	(204,404)	(1,189,189)	(3,206,062)	(4,599,656)	(238,028)
Cash payments to Employees	(459,191)	(535,801)	(397,248)	(1,392,239)	-
Cash payments for Interfund Services Received	(347,644)	(374,933)	(541,478)	(1,264,055)	-
Net Cash Provided by Operating Activities	<u>409,556</u>	<u>779,907</u>	<u>144,761</u>	<u>1,334,224</u>	<u>66,870</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(19,361)	(337,398)	(144,070)	(500,828)	(439,814)
Proceeds from Other Financing (Transfers)				-	249,320
Proceeds from Sale of Capital Assets					6,970
Proceeds from Capital Lease					344,433
Principal Paid on Capital Lease				-	(254,971)
Interest Paid on Capital Lease					(6,691)
Principal Paid on Current Debt		(134,979)	(161,412)	(296,391)	-
Interest Paid on Revenue Bonds and Other Long Term Debt		(82,398)	(191,985)	(274,383)	-
Capital Contributed-Paid in cash	90,979	506,195	1,335,651	1,932,824	-
Net Cash Provided for Capital and Related Financing Activities	<u>71,618</u>	<u>(48,580)</u>	<u>838,184</u>	<u>861,222</u>	<u>(100,754)</u>
Cash Flows from Investing Activities:					
Interest on Investments	37,809	135,682	162,169	335,660	11,304
Proceeds or Purchase of Investment Securities	206,952	844,925	953,970	2,005,847	84,391
Net Cash Used by Investing Activities	<u>244,761</u>	<u>980,607</u>	<u>1,116,139</u>	<u>2,341,507</u>	<u>95,695</u>
Net Increase (Decrease) in Cash and Cash Equivalents	725,935	1,711,934	2,099,084	4,536,953	61,811
Cash and Cash Equivalents at Beginning of Year	1,821,794	7,292,428	8,550,680	17,664,902	715,677
Cash and Cash Equivalents at End of Year	<u>\$ 2,547,729</u>	<u>\$ 9,004,362</u>	<u>\$ 10,649,764</u>	<u>\$ 22,201,855</u>	<u>\$ 777,488</u>

continued on next page

The notes to the financial statement are an integral part of this statement

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2018

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:					
Net Operating Income (Loss)	\$ 103,436	\$ (19,714)	\$ (4,064,265)	\$ (3,980,543)	\$ (107,637)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operations:					
Depreciation Expense	338,060	840,773	4,235,353	5,414,186	203,188
Pension Expense (GASB 68)	(23,838)	(45,462)	(16,993)	(86,293)	-
(Increase) Decrease in Receivables	(18,350)	(4,547)	(105,765)	(128,662)	-
(Increase) Decrease in Miscellaneous Revenues	3,033	4,745	91,949	99,727	-
(Increase) Decrease in Prepaid Assets				-	
Increase (Decrease) in Current Payables	(6,742)	(28,588)	(13,899)	(49,229)	(28,681)
Increase (Decrease) in Accrued Employee Benefits	13,957	32,700	18,381	65,039	-
Total Adjustments	306,120	799,621	4,209,026	5,314,767	174,507
Net Cash Provided by Operating Activities	<u>\$ 409,556</u>	<u>\$ 779,907</u>	<u>\$ 144,761</u>	<u>\$ 1,334,224</u>	<u>\$ 66,870</u>
Noncash Investing, Financing and Capital Activities					
Capital Assets Contributed	1,851,276	1,151,120	1,678,958	4,681,355	-
Net Change in Fair Value of Investments	-	-	-	-	(219)

The notes to the financial statements are an integral part of this statement

CITY OF BATTLE GROUND
Notes to Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Battle Ground, Washington (city) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Battle Ground was incorporated in June 1951. It operates under the laws of the State of Washington applicable to noncharter code cities with a council-manager form of government. City council is composed of seven elected members with one selected to serve as the mayor. The city is a general purpose government and provides public safety, street construction and maintenance, parks and recreation, judicial administration, planning, economic development, and general administrative services. The city owns and operates water, storm drainage, and sewer utilities. The city contracts for fire services.

As required by generally accepted accounting principles, the financial statements present the City of Battle Ground as a primary government. The city does not have any component units.

B. Basis of Presentation - Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are instead reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental fund:

The **general** (or current expense) **fund** is the city's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The Parks and Recreation Fund, Insurance Reserve Fund, LEOFF I Reserve Fund, and the Economic Stabilization Fund are included in the general fund for financial reporting purposes.

The city reports the following major enterprise funds:

The **storm drainage fund** provides flood management and water quality protection. Activities include construction and maintenance of public drainage systems, erosion control, and environmental public awareness. System development charges (SDC) assessed on new development are expended to build and expand drainage systems. The storm drainage SDC fund is included with the storm drainage fund for financial reporting purposes.

The **water fund** accounts for the city's water utility operations. Activities of the municipal water system includes production, treatment, storage, and distribution of domestic water. Utility operations are self-supported through user fees. System development charges (SDC) assessed on new development are expended to build and expand water capacity. The water SDC fund is included in the water fund for financial reporting purposes.

The **sewer fund** accounts for the city's sewer utility operations. Sewer operations provide safe and clean collection and disposal of sewage. Utility operations are self-supported through user fees. System development charges (SDC) assessed on new development are expended to build and expand sewer capacity. The sewer SDC fund is included in the sewer fund for financial reporting purposes.

Additionally, the city reports the following fund types:

Capital project funds account for financial resources used for the acquisition, construction, and preservation of general governmental capital projects. Major sources of revenue are proceeds from general obligation bonds, loans, real estate excise tax, impact fees, and capital grants from other agencies.

Debt service funds account for and report the resources accumulated and payments made for principal and interest of the general government, except those required to be accounted for in another fund.

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed for expenditures for specified purposes. Special revenue funds include the street fund, transportation benefit district (TBD) fund, drug Investigation fund, and the lodging tax fund. The TBD fund is included in the street fund for financial reporting purposes.

Internal service funds account for financial resources used to fund the acquisition and preservation of fleet and information technology equipment provided to other city departments. Because these services benefit governmental operations more than business-type functions, these funds have been included within governmental activities in the government-wide financial statements.

C. Measurement Focus, Basis of Accounting

1. Government-wide and Governmental Funds

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the city.

2. Proprietary Funds

Proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary information

1. Scope of Budget

The City of Battle Ground prepared a biennial budget for the years 2017-2018 in accordance with the Revised Code of Washington (RCW) Chapter 35A.34. State law establishes the budget process and the time limits under which a biennial budget must be developed. All governmental funds are prepared on a modified accrual basis consistent with generally accepted accounting principles. These budgets are adopted at the fund level and constitute the legal authority for expenditures. Expenditures and other financing uses may not exceed budgeted appropriations at these levels. Any unexpended appropriation balances lapse at the end of the biennium.

Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

2. Amending the Budget

The city manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges or other conditions of employment must be approved by the city council. When the council determines that it is in the best interest of the city to increase or decrease the appropriations for a particular fund, it may do so by ordinance.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the biennium. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the biennial budget.

E. Assets, Liabilities, Fund Balance and Net Position

1. Cash and Cash Equivalents - See Note 3

It is the city's policy to invest all temporary cash surpluses. At December 31, 2018, the treasurer was holding \$36,435,692 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the *Statement of Cash Flows*, the city considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. All amounts held in the Local Government Investment Pool (LGIP) and Clark County Investment Pool (CCIP) are considered to be cash equivalents.

2. Investments - See Note 3

Investments purchased with an original maturity of more than three months are classified as investments. Except for certificates of deposit, investments are reported at fair value on quoted market prices for securities. Change in fair value is reported in the *Statement of Revenues, Expenses and Changes in Net Position* as investment earnings.

State statute (RCW 39.59.040) authorizes investments in obligations of the U.S. Treasury, commercial paper, banker's acceptances, certain other government agency obligations, and the state and county treasurer's investment pool. The city's investment policy does not further limit investment choices. The city's investment policy requires all securities transactions to be conducted on a delivery-versus-payment basis.

3. Receivables – See Note 14

Taxes receivable consists of property taxes and related interest and penalties (see Note 9). Accrued interest receivable consists of amounts earned on investments and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Uncollectible amounts are considered immaterial and the direct write-off method is used.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable – See Note 5

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or

“advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories in the proprietary funds are not material and are not recorded.

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service in enterprise funds. Restricted assets for business-type activities are \$297,778. This specific debt service reserve requirement for the sewer fund is described in Note 7.

7. Capital Assets – See Note 4

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of \$10,000 (\$5,000 for assets acquired with federal financial assistance) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (years)
Buildings	40
Infrastructure	20-40
Intangible Assets	20-40
Utility Improvements	40
Public Work Equipment	8
Vehicles	5-8
Office and Electronic Equipment	5-10

8. Compensated Absences

Eligible employees earn vacation leave, sick leave, and compensatory time in lieu of overtime. Unless otherwise provided by collective bargaining agreement or contract, vacation accruals are capped at 360 hours. Maximum accrual for sick leave is 960 hours.

If unused, compensation is paid upon termination of employment according to the terms of the applicable collective bargaining agreement, personnel rules and regulations, and the employee’s

length of service. Vacation leave and compensatory time generally qualify for 100 percent payout. Sick leave is limited to 33 percent payout upon retirement.

All leave is accrued when incurred in the government-wide and proprietary fund financial statements. As of December 31, 2018, the city reported compensated absences of \$691,152 in governmental activities and \$149,319 in business-type activities.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Other Post-employment Benefits – See Note 11

Lifetime full medical coverage is provided to uniformed police personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the *Statement of Net Position*. The actual health care costs are reported as expenditures in the year they are incurred and are paid out of the LEOFF I Fund.

11. Other Accrued Liabilities

These accounts consist of accrued employee wages and benefits.

12. Long-Term Liabilities - See Note 7

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Under GASB 65, bond issue costs are expensed when incurred. Long-term obligations used to finance proprietary fund operations and payable from revenue of the proprietary funds are accounted for in the applicable fund.

13. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

14. Custodial Deposits

Custodial deposits represent facility rental and developer deposits.

15. Fund Balance Classification

Assets in excess of liabilities are reported as fund balances, and are segregated into separate classifications indicating the extent to which the city is bound to honor constraints on the specific purposes for which those funds can be spent.

Nonspendable	Unavailable fund balance due to its form and legally or contractually required to remain intact
Restricted	Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
Committed	Fund balance can only be used for specific purposes as determined by formal action of city council. City council is the highest level of decision-making authority and can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.
Assigned	Assigned fund balance includes resources intended to be used by the city for specific purposes, but are neither restricted nor committed. The city has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as nonspendable, restricted, or committed.
Unassigned	This classification represents fund balance not included in other categories

Flow assumption: When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the city's policy to use restricted resources first. When expenditure is incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the city's policy to spend committed resources first, then assigned, and unassigned, in that order. However, prior to the commencement of any project, the flow assumptions are reviewed to ensure that the proper resources are being used.

16. Fund Reserve Goals

The city has financial management guidelines that set reserve goals for selected city funds.

General Fund - City council adopted Resolution 2017-10 which targets an unrestricted fund balance of 60 days of regular general fund operating expenditures. The target level is calculated on the monthly average of total annual budgeted general fund operating expenditures for the ensuing fiscal year. If the fund falls below its minimum level, the city will adjust the budget in subsequent fiscal years to restore the fund balance within three fiscal years.

Economic Stabilization Fund - City council adopted Resolution 2012-08 which created a cumulative reserve fund to maintain resources to provide continuing levels of service when projected revenue collections are not adequate. One-time revenues are placed in the fund and city council determines when to expend funds. This arrangement is disclosed as committed fund balance in the general fund – *Governmental Funds Balance Sheet*.

17. Use of Estimates

These financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates and assumptions.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The *Governmental Fund Balance Sheet* includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the *Government-wide Statement of Net Position*. One element of the reconciliation is "other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds." The details of this difference are as follows:

Earned but unavailable revenues	\$ 252,956
Net pension asset	1,514,287
Deferred outflows related to pensions	471,960
Deferred inflows related to pensions	(1,093,438)
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 1,145,765</u>

Another element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 8,255,000
Plus: Issuance premium (to be amortized as interest expense)	69,809
Accrued interest payable	34,836
Due to other governments	500,000
Capital lease payable	168,575
Net OPEB obligation	1,728,005
Net pension obligation	1,473,582
Compensated absences	691,152
Impact fee credits	425,989
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 13,346,948</u>

Another element of that reconciliation explains that "internal service funds related to governmental activities." The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. The details of this difference are as follows:

Net position of the internal service funds	\$ 1,525,100
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	(388,849)
Less: Internal payable representing charges in excess of cost to business-type activities – current year	(73,463)
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 1,062,788</u>

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balance* includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures.” However, in the *Statement of Activities* the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital Outlay	\$ 797,013
Depreciation expense	<u>(3,138,128)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,341,115)</u>

Another element of that reconciliation states, “revenues in the *Statement of Activities* that do not provide current financial resources are not reported as revenues in the funds.” The details of this difference are as follows:

Contribution from developers	\$ 3,682,697
Unearned revenue	40,290
Municipal court revenue - unavailable	(14,986)
Tax revenues - unavailable	<u>441</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,708,442</u>

Another element of that reconciliation states that the “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of these differences are as follows:

Principal repayments:	
General obligation debt	\$ 750,000
Governmental loans	100,000
Capital leases	<u>54,123</u>
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 904,123</u>

Another element of that reconciliation states, “some expenses reported in the *Statement of Activities* do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” These result from year-to-year changes in amounts on the *Statement of Net Position*. The details of this difference are as follows:

Compensated absences	\$ (72,298)
Net OPEB obligation	65,981
Net pension liability	563,472
Net pension asset	500,332
Deferred outflow of resources – related to pensions	(14,089)
Deferred inflow of resources – related to pensions	(477,709)
Amortization of bond premium costs	15,570
Accrued interest	3,199
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 584,458</u>

Another element of the reconciliation states “internal service funds used by management to charge the costs of vehicle and technology replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this difference are as follows:

Change in net position of the internal service funds	\$ 142,765
Less: gain from charges to business-type activities	<u>(73,463)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 69,302</u>

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-wide Statement of Net Position

The *Proprietary Fund Statement of Net Position* includes reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the *Government-wide Statement of Net Position*. The description of the sole element of that reconciliation is “adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.” The details of this difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$ 388,849
Internal receivable representing charges in excess of cost to business-type activities – current year	<u>73,463</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$ 462,312</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

A reconciliation of cash, cash equivalents, and investments as reported on the *Statement of Net Position* for the total primary government is below:

Cash and Investments - Adj Bank Statements	
Deposits with Financial Institutions	\$ 4,888,555
Cash on Hand	4,750
Local Government Investment Pool	223,511
Clark County Investment Pool	31,318,876
Certificates of Deposit (Investments)	500,000
	<u>\$ 36,935,692</u>

Financial Statements	
Cash and Cash Equivalents	\$ 36,137,914
Restricted Cash and Cash Equivalents	297,778
Investments	500,000
	<u>\$ 36,935,692</u>

State and county investment pools are available for use by all city funds. In general, interest earned from pooled deposits and investments is allocated to each fund based on the average earnings and daily cash balance of each fund. Investments in the state and county investment pools are classified as cash equivalents on the financial statements. Other investments include nonnegotiable certificates of deposit.

Additional cash and cash equivalents consist of \$4,893,305 in interest bearing bank accounts, petty cash, and cash change drawers.

A. Deposits

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The city's deposits are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Federal Depository Insurance Commission (FDIC) insures deposits up to \$250,000 and the Washington Public Deposit Protection Commission (PDPC) insures deposits over \$250,000.

B. Investments

Investments are subject to the following risks:

Credit rate risk

While the city does not have a written credit risk policy, the city invests in securities identified as eligible investments by state statutes. All debt securities in the city's investment portfolio are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.

Custodial credit risk

The city's investment policy requires the city to execute custodial agreements with its bank or other custodial agents which are chartered by the United States government or the State of Washington. All investment security transactions are conducted on a delivery-versus-payment (DVP) basis. A financial institution, designated by the finance director as primary agent to serve as a custodian acting on the city's behalf, holds securities purchased by the city. All transactions are evidenced by safekeeping receipts.

Concentration of credit risk

Safety of the principal is the foremost objective of the city's investment program. All investment securities of the city are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The city's policy requires that the portfolio be structured to diversify investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer, or a specific type of security. The city's investment policy states that no more than 90 percent of the total portfolio may be invested in U.S. treasuries or agencies. The state and local investment pools are not limited.

Interest rate risk

In accordance with its investment policy, the city manages exposure to declines in values from interest rates by limiting the weighted average maturity of its investment portfolio to maturities that will fulfill the cash flow needs of the city. The securities in the portfolio are structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs based on historical information.

The city's investment policy specifies the maximum maturity for security types. Maturities range from one year for commercial paper up to 10 years for U.S. treasuries.

Issuer	Value	Less than 1 Year	1-2 Years
Local Government Investment Pool	223,511	223,511	
Clark County Pool	31,318,876	31,318,876	
Certificates of Deposit	500,000	250,000	250,000
	<u>\$ 32,042,387</u>	<u>\$ 31,792,387</u>	<u>\$ 250,000</u>

The city's investment policy states the average maturity of the portfolio will not exceed two years. However, the policy includes the state and local government investment pools as investments for calculating the maximum average maturity of investments.

Issuer	Value	Maturity	Average Maturity in Years	% of Portfolio
Local Government Investment Pool	223,511	-	0.12	0.7%
Clark County Pool	31,318,876	-	0.67	97.7%
Certificate of Deposit	250,000	1/21/2020	1.06	0.8%
Certificate of Deposit	250,000	6/10/2019	0.44	0.8%
	<u>\$ 32,042,387</u>			100%

Portfolio weighted average maturity 0.66

1. Investments Measured at Amortized Cost

Investments Measured at Amortized Cost	City's Own Investments
Local State Investment Pool	<u>223,511</u>
Total Investments Measured at Amortized Cost Cash Equivalents Statement of Net Position	<u>\$ 223,511</u>

Investments in the Local Government Investment Pool (LGIP)

The city is a participant in the Local Government Investment Pool (LGIP) as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized costs which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

As of December 31, 2018, the city held \$223,511 of investments at amortized cost in the LGIP. Average days to maturity of the LGIP was 42 days.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at <http://www.tre.wa.gov>.

2. Investments Measured at Fair Value

The city measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3: Unobservable inputs for an asset or liability

	Fair Value 12/31/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Clark County Investment Pool	31,318,876	31,318,876		
Total Investments Measured at Fair Value				
Cash Equivalents Statement of Net Position	\$ 31,318,876	\$ 31,318,876	\$ -	\$ -

Investments in the Clark County Investment Pool (CCIP)

The city is a participant in the Clark County Investment Pool (CCIP), an external investment pool. The city reports its investment in the pool at the fair value amount, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the county treasurer per RCW 36.29.022. Regulatory oversight is provided by the finance committee which, by statute, consists of the county treasurer, the county auditor, and the chair of the Board of County Commissioners. The CCIP does not have a credit rating.

As of December 31, 2018, the city held \$31,318,876 of investments at fair value in the CCIP. Weighted average days to maturity of the CCIP was 240 days.

Additional information on the CCIP is at www.clark.wa.gov/treasurer.

3. Investments Measured at Cost

Nonnegotiable certificates of deposit with redemption terms that do not consider market rates are reported using a cost-based measure. Certificates of deposit are reported as investments in the financial statements.

<u>Investments Measured at Cost</u>	<u>Investments</u>
Certificates of Deposit	500,000
Total Investments at Cost (<i>Statement of Net Position</i>)	<u>\$ 500,000</u>

NOTE 4 - CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

A. Capital assets activity for the year ended December 31, 2018 is as follows:

	<u>Beginning Balance 01/01/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 12/31/2018</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 16,060,373	\$ -	-	\$ 16,060,373
Construction in progress	1,933,195	282,744	1,827,784	388,156
Total capital assets, not being depreciated	<u>17,993,568</u>	<u>282,744</u>	<u>1,827,784</u>	<u>16,448,529</u>
Capital assets, being depreciated/depleted:				
Buildings	15,094,446	-	-	15,094,446
Machinery & Equipment	4,679,229	522,165	63,507	5,137,887
Infrastructure	83,097,440	5,942,398	-	89,039,838
Improvements other than buildings	1,436,225	-	-	1,436,225
Total capital assets being depreciated	<u>104,307,340</u>	<u>6,464,562</u>	<u>63,507</u>	<u>110,708,395</u>
Less accumulated depreciation for:				
Buildings	5,164,962	380,648	-	5,545,610
Machinery & Equipment	3,576,860	296,721	63,507	3,810,074
Infrastructure	58,164,402	2,591,979	-	60,756,381
Improvements other than buildings	454,940	71,971	-	526,911
Total accumulated depreciation	<u>67,361,164</u>	<u>3,341,319</u>	<u>63,507</u>	<u>70,638,976</u>
Total capital assets, being depreciated, net	<u>36,946,176</u>	<u>3,123,243</u>	<u>-</u>	<u>40,069,419</u>
Governmental activities capital assets, net	<u>\$ 54,939,744</u>	<u>\$ 3,405,987</u>	<u>\$ 1,827,784</u>	<u>\$ 56,517,947</u>

	Beginning Balance 01/01/2018	Increases	Decreases	Ending Balance 12/31/2018
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 3,133,639	\$ 513,703	-	\$ 3,647,342
Construction in progress	266,485	94,483	13,835	347,133
Total capital assets, not being depreciated	<u>3,400,124</u>	<u>608,186</u>	<u>13,835</u>	<u>3,994,475</u>
Capital assets, being depreciated/depleted:				
Buildings	1,357,535	-	-	1,357,535
Machinery and equipment	431,147	84,906	18,022	498,031
Infrastructure	65,905,885	4,502,945	-	70,408,830
Improvements other than buildings	32,884	-	-	32,884
Intangible assets	27,250,748	-	8,715,172	18,535,576
Total capital assets being depreciated	<u>94,978,199</u>	<u>4,587,850</u>	<u>8,733,194</u>	<u>90,832,855</u>
Less accumulated depreciation for:				
Buildings	436,245	33,939	-	470,184
Machinery and equipment	366,604	31,436	17,740	380,299
Infrastructure	24,596,532	1,794,785	-	26,391,317
Improvements other than buildings	4,932	1,644	-	6,576
Intangible assets	13,689,154	3,552,383	8,715,172	8,526,365
Total accumulated depreciation	<u>39,093,467</u>	<u>5,414,186</u>	<u>8,732,912</u>	<u>35,774,741</u>
Total capital assets, being depreciated, net	<u>55,884,732</u>	<u>(826,336)</u>	<u>282</u>	<u>55,058,114</u>
Business-type activities capital assets, net	<u>\$ 59,284,856</u>	<u>\$ (218,150)</u>	<u>\$ 14,117</u>	<u>\$ 59,052,589</u>

Depreciation expense charged to programs of the primary government is as follows:

Governmental Activities	
General Government	\$ 348,061
Public Safety	153,967
Physical Environment	49,222
Transportation	2,389,765
Culture and Recreation	400,304
Total Depreciation - Governmental Activities	<u>\$ 3,341,319</u>

Business-type Activities	
Storm Drainage	\$ 338,060
Water	840,773
Sewer	<u>4,235,353</u>
Total Depreciation -Business-Type Activities	<u>\$ 5,414,186</u>

B. Intangible asset

The city recognizes its future sewer treatment capacity rights in the Discovery Clean Water Alliance's Salmon Creek Treatment Plan in compliance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The city recorded an intangible asset of \$27,250,748 upon completion of expansion phases III and IV of the Salmon Creek Wastewater Treatment Facility for future capacity. See Note 15 and Note 16.

C. Capital Construction Commitments

The city has outstanding contractual commitments, which include construction and engineering contracts for capital projects currently in progress. The city's total outstanding contract obligations are as follows:

Project	Fund	Project to Date	Remaining Commitment
<i>Business type construction projects</i>			
Sanitary Pump Station Improvement	Sewer	\$ -	\$ 292,562
Total		-	292,562

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These transfers are classified as “other financing sources or uses” in the fund statements. Interfund transfers are used to 1) fund construction and maintenance projects, 2) move certain revenue sources to debt service funds for principal and interest payments, and 3) move unrestricted general fund revenues to finance various programs that the city must account for in other funds in accordance with laws, regulations, or contracts. There were no significant transfers made during the year that do not occur on a routine basis or that are inconsistent with the activities of the fund making the transfer. The interfund transfer activity for the year is as follows:

	Transfers Out				
	General Fund	Special Revenue Funds	Capital Funds	Internal Service Funds	Total Transfers
General Fund	-	7,000	44,385	-	51,385
Special Revenue Funds	445,000	-	-	-	445,000
Debt Service Fund	-	-	1,163,737	-	1,163,737
Capital Projects Fund	3,404	-	340,034	5,509	348,947
Internal Service Funds	150,000	25,000	79,830	-	254,830
Total	\$ 598,404	\$ 32,000	\$ 1,627,986	\$ 5,509	\$ 2,263,899

NOTE 6 – LEASES

A. Capital Leases

The city entered into lease agreements as lessee for financing the acquisition of public safety vehicles and communications equipment and a facilities maintenance van. These lease agreements qualify as capital leases for accounting purposes and are recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Fire engine	488,598
Police vehicles	316,088
Public Safety Communications	270,593
Maintenance Van	28,345
Less: accumulated depreciation	<u>(354,314)</u>
Total	<u>\$ 749,310</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ending December 31	Governmental Activities
2019	228,396
2020	148,481
2021	<u>147,781</u>
Total Minimum Lease Payments	524,658
Less: Interest	<u>(24,454)</u>
Present Value of Minimum Lease Payments	<u>\$ 500,204</u>

B. Operating Leases

Operating lease obligations are for business machines under contractual agreements. The cost in 2018 for operating leases was \$19,339. The following is a schedule of minimum future rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2018:

2019	19,545
2020	17,624
2021	16,767
2022	7,880
2023	<u>994</u>
Total	<u>\$ 62,810</u>

NOTE 7 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by city council, and financed from general revenues.

The city had \$8,255,000 in outstanding general obligation bonds (nonvoted) as of December 31, 2018.

Name of Issue	Governmental Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2018
2010 LTGO Bonds	Acquisition of City Hall	3,045,000	6/11/2010	12/1/2022	3.0%-4.0%	1,075,000
2010B LTGO Bonds	Road Improvements	4,280,000	12/8/2010	12/1/2030	6.25%-7.0%	4,280,000
2011 LTGO Bonds	Park Facilities	5,265,000	11/16/2011	6/1/2026	2.0%-3.3%	2,900,000
Total LTGO Bonds		<u>\$ 12,590,000</u>				<u>\$ 8,255,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

LTGO - Governmental Activities			
	Principal	Interest	Total Requirements
2019	930,000	405,726	1,335,726
2020	940,000	367,181	1,307,181
2021	960,000	327,475	1,287,475
2022	975,000	286,225	1,261,225
2023	695,000	244,170	939,170
2024-2028	2,910,000	738,578	3,648,578
2029-2030	845,000	89,250	934,250
	<u>\$ 8,255,000</u>	<u>\$ 2,458,604</u>	<u>\$ 10,713,604</u>

B. Government Loans

The city receives government loans to finance construction of capital projects in the business-type activity funds and to finance street improvements and the purchase of capital assets into purchase capital assets. Government loans outstanding at year-end are as follows:

Name of Issue	Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2018
2000 PWTF Loan	Business-type Sewer Lines	1,400,000	5/30/2000	6/1/2020	1.0%	107,998
2003 PWTF Loan	Governmental West Main St	2,000,000	6/30/2003	6/1/2023	0.5%	500,000
		<u>\$ 3,400,000</u>				<u>\$ 607,998</u>

Public Works Trust Fund (PWTF) loan debt service requirements to maturity are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2019	100,000	2,500	102,500	53,999	1,080	55,079
2020	100,000	2,000	102,000	53,999	540	54,539
2021	100,000	1,500	101,500	-	-	-
2022	100,000	1,000	101,000	-	-	-
2023	100,000	500	100,500	-	-	-
	<u>\$ 500,000</u>	<u>\$ 7,500</u>	<u>\$ 507,500</u>	<u>\$ 107,998</u>	<u>\$ 1,620</u>	<u>\$ 109,618</u>

C. Revenue Bonds

Water and/or sewer revenue bonds are issued to finance capital projects. Revenue bonds are created by ordinance and adopted by the city council. The city pledges income derived from the acquired or constructed assets to pay debt service.

Restricted assets in the sewer fund contain an amount equal to the sum of one annual installment of the bond as required by bond indenture.

Revenue bonds outstanding at year-end are as follows:

Name of Issue	Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2018
2012 Revenue Bonds	Sewer Facility	6,909,000	1/25/2012	1/25/2052	3.00%	6,264,727
2015 Revenue Bonds	Water Meters	2,774,409	5/7/2015	5/7/2030	3.26%	2,442,102
		<u>\$ 9,683,409</u>				<u>\$ 8,706,829</u>

Annual debt service requirements to maturity for these bonds are as follows:

2012 Sewer Revenue Bonds			
	Principal	Total Interest	Requirements
2019	110,660	187,118	297,778
2020	114,005	183,773	297,778
2021	117,450	180,328	297,778
2022	121,000	176,778	297,778
2023	124,658	173,120	297,778
2024-2028	682,135	806,755	1,488,890
2029-2033	791,645	697,245	1,488,890
2034-2038	918,737	570,153	1,488,890
2039-2043	1,066,231	422,659	1,488,890
2044-2048	1,237,405	251,485	1,488,890
2049-2052	980,801	59,646	1,040,447
	<u>\$ 6,264,727</u>	<u>\$ 3,709,060</u>	<u>\$ 9,973,787</u>

2015 Water Revenue Bonds			
	Principal	Total Interest	Requirements
2019	145,484	77,871	223,355
2020	156,503	72,995	229,498
2021	168,057	67,753	235,810
2022	180,166	62,128	242,294
2023	192,854	56,101	248,955
2024-2028	1,176,668	174,653	1,351,321
2029-2030	422,370	12,138	434,508
	<u>\$ 2,442,102</u>	<u>\$ 523,639</u>	<u>\$ 2,965,741</u>

D. Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. As of December 31, 2018 the city has no arbitrage rebate liability.

E. Developer Credits

Impact fees and system development charges (SDC) are levied at the time of permit issuance. The developer may be entitled to a nonrefundable credit against the applicable fee component for the fair market value of appropriate dedications of land, new construction, or system improvements. If the amount of the calculated credit is greater than the amount of the fee or charge due, the developer may apply the excess credit toward impact fees or SDC assessed on other developments within the same service area. Impact fee credits are disclosed as a governmental activity and SDC credits as business-type activities in the government-wide financial statements.

Impact Fee Credits	At 12/31/17	Additions	Applied	At 12/31/18
Traffic Impact Fees	\$ 132,476	\$ 156,143	\$ (119,752)	\$ 168,867
Park Impact Fees	333,802		(76,680)	257,122
Total Impact Fee Credits	<u>\$ 466,278</u>	<u>\$ 156,143</u>	<u>\$ (196,432)</u>	<u>\$ 425,989</u>

System Development Charge Credits	At 12/31/17	Additions	Applied	At 12/31/18
Water SDC Credits	\$ 932	\$ -	\$ -	\$ 932
Sewer SDC Credits	-	100,914	(100,914)	-
Total SDC Charge Credits	<u>\$ 932</u>	<u>\$ 100,914</u>	<u>\$ (100,914)</u>	<u>\$ 932</u>

F. Changes in Long-Term Liabilities

Long-term liability activity of the city for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 9,005,000	\$ -	\$ (750,000)	\$ 8,255,000	\$ 930,000
Less deferred amounts					
For issuance premiums (discounts)	85,379	-	(15,570)	69,809	13,781
Total bonds payable	9,090,379	-	(765,570)	8,324,809	943,781
Capital leases	809,865		(309,661)	500,204	215,011
Government loan	600,000		(100,000)	500,000	100,000
Compensated absences	618,854	424,731	(352,433)	691,152	44,769
Net OPEB obligation	700,594	1,728,005	(700,594)	1,728,005	-
Net pension obligation	2,037,054		(563,472)	1,473,582	-
Impact fee credits	466,278	156,143	(196,432)	425,989	-
Long-term liabilities	<u>\$ 14,323,024</u>	<u>\$ 2,308,879</u>	<u>\$ (2,988,162)</u>	<u>\$ 13,643,741</u>	<u>\$ 1,303,561</u>
<u>Business-type Activities</u>					
Revenue bonds	8,949,221		(242,392)	8,706,829	256,143
Government loan	161,996		(53,998)	107,998	53,998
Compensated absences	119,113	77,694	(47,488)	149,319	12,582
Net pension obligation	630,173		(168,396)	461,777	-
System development charge credits	932	100,914	(100,914)	932	-
Long-term liabilities	<u>\$ 9,861,435</u>	<u>\$ 178,608</u>	<u>\$ (613,188)</u>	<u>\$ 9,426,855</u>	<u>\$ 322,723</u>

NOTE 8 – RISK MANAGEMENT

The City of Battle Ground is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 160 members.

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

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

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

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

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

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

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

NOTE 9– PROPERTY TAXES

The Clark County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The city may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to limitations by the Washington State Constitution and the Revised Code of Washington 84.55.0410.

The city's regular levy for 2018 collections was \$1.50 per \$1,000 on an assessed valuation of \$2,033,273,795 for a total regular levy of \$3,052,811.

NOTE 10 – PENSION PLANS

A. Employee Retirement Systems and Pension Plan

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 1,935,359
Pension assets	1,514,287
Deferred outflows of resources	525,324
Deferred inflows of resources	1,272,599
Pension expense/expenditures	37,460

State Sponsored Pension Plans

Substantially all city full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, 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 (DRS), 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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is

the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by state statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January - August 2018:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September–December 2018:		
PERS Plan 2/3	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include

duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
January - August 2018:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September–December 2018:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.83%	7.41%

The City's actual PERS plan contributions were \$198,245 to PERS Plan 1 and \$293,682 to PERS Plan 2/3 for the year ended December 31, 2018.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The City's actual contributions to the plan were \$125,335 for the year ended December 31, 2018.

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. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$78,491.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2018 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Actuarial results reflect the following changes in assumptions and methods since the last valuation.

- Updated valuation interest rate, general salary growth, and inflation assumptions to be consistent with the assumptions adopted by the Pension Funding Council and LEOFF 2 Board.
 - Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
 - Lowered assumed general salary growth from 3.75% to 3.50% for all systems.
 - Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50% except LEOFF Plan 2, which has assumed 7.40%.)

Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue

being made at contractually required rates (including PERS Plans 2 and 3, PSERS Plan 2, SERS Plans 2 and 3, and TRS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 or TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	1,595,390	1,298,187	1,040,748
PERS 2/3	2,914,438	637,172	(1,229,933)
LEOFF 1	(75,593)	(95,023)	(111,752)
LEOFF 2	(188,736)	(1,419,264)	(2,422,904)

Pension Plan Fiduciary Net Position

Detailed information about the state's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a total pension liability of \$1,935,359 for its proportionate share of the net pension liabilities and \$1,514,287 for its share of net pension assets as follows:

Plan	Liability or Asset
PERS 1	1,298,187
PERS 2/3	637,172
LEOFF 1	(95,023)
LEOFF 2	(1,419,264)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for state pension support provided to the city. The amount recognized by the city as its proportionate share of the net pension asset, the related state support, and the total portion of the net pension asset that was associated with the city were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
LEOFF - employer's proportionate share	(95,023)	(1,419,264)
LEOFF - State's proportionate share of the net pension asset associated with the employer	(642,736)	(919,416)
Total	(737,759)	(2,338,680)

At June 30, the city's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.02895%	0.02907%	0.00012%
PERS 2/3	0.03723%	0.03732%	0.00008%
LEOFF 1	0.00518%	0.00523%	0.00005%
LEOFF 2	0.06741%	0.06991%	0.00250%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 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. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the city recognized pension expense as follows:

	Pension Expense
PERS 1	120,294
PERS 2/3	(16,583)
LEOFF 1	(16,020)
LEOFF 2	(50,231)
Total	37,460

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (51,589)
Contributions subsequent to the measurement date	98,866	-
Total	\$ 98,866	\$ (51,589)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,101	\$ (111,557)
Net difference between projected and actual investment earnings on pension plan investments	-	(390,998)
Changes of assumptions	7,454	(181,334)
Changes in proportion and differences between contributions and proportionate share of contributions	28,499	(15,406)
Contributions subsequent to the measurement date	145,701	-
Total	\$ 259,755	\$ (699,295)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (7,715)
Total	\$ -	\$ (7,715)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,027	\$ (32,955)
Net difference between projected and actual investment earnings on pension plan investments	-	(248,390)
Changes of assumptions	803	(203,690)
Changes in proportion and differences between contributions and proportionate share of contributions	23,560	(28,965)
Contributions subsequent to the measurement date	66,313	-
Total	\$ 166,703	\$ (514,000)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 154,128	\$ (144,512)
Net difference between projected and actual investment earnings on pension plan investments	-	(698,692)
Changes of assumptions	8,257	(385,024)
Changes in proportion and differences between contributions and proportionate share of contributions	52,059	(44,371)
Contributions subsequent to the measurement date	310,880	-
Total	\$ 525,324	\$ (1,272,599)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2019	\$ 2,257	\$ (68,541)	\$ 7	\$ (28,832)
2020	(11,278)	(126,988)	(1,740)	(66,440)
2021	(33,841)	(233,392)	(4,740)	(144,496)
2022	(8,727)	(82,690)	(1,242)	(56,894)
2023	-	(26,868)	-	(21,679)
Thereafter	\$ -	\$ (46,762)	\$ -	\$ (95,269)

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

The following table represents the aggregate other postemployment benefits other than pension amounts for the city's single employer plan subject to the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year 2018:

OPEB Liabilities	\$ 1,728,005
Deferred Outflows of Resources – OPEB	32,203
OPEB expense/expenditures	(6,514)

Plan Description

The city administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All city LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the city. The city has used the alternative measurement method permitted by GASB Statement 75.

There are three participants eligible to receive these benefits. There are currently no members actively employed at the city who are not yet receiving LEOFF I medical benefits. The benefits are 100 percent provided by the city in order to meet state statutory requirements under the LEOFF I system and provided pursuant to RCW 41.20 and 41.26, whereby the city pays their medical and dental premiums and out-of-pocket medical costs for life. This plan is closed to new entrants.

At December 31, 2018, the following retirees were covered by the benefit terms:

Active employees	0
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefit payments	0
Total	3

Contributions

The city has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. For the year ending December 31, 2018, benefit payments made by the city were \$36,747.

Actuarial Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The city's total OPEB liability of \$1,728,005 was measured as of June 30, 2018 with a valuation date of June 30, 2018. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The entry age normal actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

- Inflation: 3.0% total economic inflation
- Discount Rate: 3.58% beginning of measurement year, 3.87% end of measurement year
- Healthcare cost trend rate: for medical costs, 12.0% decreasing to 5.0% in 2080; for long-term care, 4.5%; Medicare Part B premiums vary, approximately 5%.

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the RP-2000 report's "+1 year Healthy Table" and "-2 years Disabled Table" published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. Mortality rates are applied

on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. Medicare participation is assumed at 100%.

Sensitivity of the Total OPEB Liability

The table below presents the City's total OPEB liability calculated using the discount rate of 3.87 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current rate. The following table presents the total OPEB liability of the City calculated using the health care cost trend rate of 12 percent decreasing to 5 percent and long term care rates of 4.5 percent, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (11% trending down to 4%, 3.5 % long term care trend rate) or 1-percentage point higher (13% trending down to 6%, 5.5 % long term care trend rate) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 1,990,250	\$ 1,728,005	\$ 1,512,562

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 1,519,368	\$ 1,725,005	\$ 1,975,975

Changes in the Total OPEB Liability

At the measurement date June 30, 2018, the changes in the total OPEB liability are as follows:

Total OPEB Liability at December 31, 2017	\$ 1,793,986
Changes for the Year:	
Service Cost	-
Interest	63,170
Changes in Experience Data and Assumptions	(69,684)
Estimated Benefit Payments	(59,467)
Net Changes	(65,981)
Total OPEB Liability at December 31, 2018	<u>\$ 1,728,005</u>

The city reported \$(6,514) as OPEB expense for the calendar year 2018.

At December 31, 2018, the city reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$32,203. This will be recognized as expense in the period ending December 31, 2019.

NOTE 12 – HEALTH AND WELFARE

The City of Battle Ground 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, 2018, 257 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 2018, 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"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. 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 Office of the Washington State Auditor.

NOTE 13 – CONTINGENCIES AND LITIGATION

The City has recorded in its financial statements all material liabilities based on available information. In the opinion of management, the city's insurance policies are adequate to pay all known or pending claims.

The city participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

NOTE 14 - RECEIVABLE BALANCES

Amounts are aggregated into a single accounts receivable line for governmental activities on the *Statement of Net Position*. Below is the detail of receivables for the general, nonmajor governmental funds and internal service funds in the aggregate:

Receivables	General	Nonmajor Governmental	Total Governmental Activities
Accounts	28,671	2,877	31,548
Property taxes	47,432	-	47,432
Sales taxes	672,548	-	672,548
Motor Vehicle Fuel Tax	-	64,876	64,876
Other taxes	551,076	29,531	580,608
Municipal court	211,869	-	211,869
State	33,611	-	33,611
Grants	8,771	148,525	157,296
	<u>\$ 1,553,978</u>	<u>\$ 245,809</u>	<u>\$ 1,799,788</u>

NOTE 15 – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATIONS

Joint Venture

Discovery Clean Water Alliance

The Discovery Clean Water Alliance (Alliance) was formed under the Joint Municipal Utility Services Authority Act, Chapter 39.106 RCW. The purpose of the Alliance is to provide cooperative, environmentally sound, and cost-effective municipal wastewater transmission and treatment to participating members. The four Alliance members, Clark County, Clark Regional Wastewater District, City of Battle Ground, and the City of Ridgefield, signed an Interlocal Formation Agreement (IFA) on September 27, 2012. The Alliance was incorporated with the Washington Secretary of State on January 4, 2013 and was fully operational as of January 1, 2015. The Alliance is governed by a Board of Directors (Board) comprised of one elected official appointed from each of the participating members.

Annual regional service charges are paid by the City of Battle Ground to the Alliance. The city's responsibility for regional asset operating costs is based on actual use of regional services during the

previous year (or years) as measured by average annual flow. Responsibility for capital costs is based on agreed-upon allocated capacity. The city paid the Alliance regional service charges of \$2,795,409 in 2018.

The Alliance has a separate audit and financial information about the Alliance is on their website at www.discoverycwa.org.

Jointly Governed Organization

Clark Regional Emergency Services Agency (CRESA)

In 1975, CRESA was originally created by agreement under the Interlocal Cooperation Act (RCW 39.34) between the City of Battle Ground, Clark County, and various other cities and political districts. CRESA provides regional 911 dispatch services, a regional 800 MHz and conventional radio system and services, and regional emergency management services in all incorporated and unincorporated areas of Clark County. In prior years, the city did not report an equity interest in CRESA as a joint venture since the city's measurable equity interest was not readily determinable.

On October 24, 2017, the Clark County Council approved an Ordinance and Charter establishing CRESA as a Public Development Authority (PDA) under RCW 35.21.730. Bylaws were approved by the CRESA administrative board and revised agreements with founding public agencies and customers were drafted. The City of Battle Ground Council approved this revised agreement for services on January 16, 2018. The administrative board is comprised of nine members appointed by the entities receiving services. The city paid CRESA service charges of \$262,532 in 2018.

Financial statements for CRESA can be obtained from CRESA, 710 W. 13th Street, Vancouver, Washington 98660.

NOTE 16 – ACCOUNTING AND REPORTING CHANGES

GASB Statements

For the fiscal year ended December 31, 2018, the city considered or implemented the following GASB pronouncements:

- A. GASB Statement No. 77, *Tax Abatement Disclosures*
The State of Washington has entered into tax abatement agreements under the Revised Code of Washington 82.60 "*High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities*." The exemption is intended to promote economic stimulation and new employment opportunities in distressed areas. This abatement agreement may have local impacts to the city. However, data is confidential and the Washington State Department of Revenue is prohibited from disclosing information to the city when there are less than three taxpayers within the city.
- B. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017. See Note 11 for implementation. As part of this implementation, the city recorded a \$1,061,189 change in accounting principle.
- C. GASB Statement No. 85, *Omnibus 2017*. Effective for fiscal years beginning after June 15, 2017. Not applicable to the City.

Change in Estimate

The City purchased sewer treatment capacity in 2001 for \$8,715,172 from Clark Regional Wastewater District. The cost for the phase 3 expansion of the Salmon Creek Treatment Plant was recorded by the city as an intangible asset with an amortization schedule of 25 years. This was the expected time period for city development to utilize all phase 3 sewer capacity. As city development exceeded projections, phase 3 sewer capacity was reached in 2018. As a result, the city expensed the remaining amortization of capacity for \$2,440,248 in the sewer fund.

CITY OF BATTLE GROUND
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF I OPEB
For the year ended June 30, 2018

Total OPEB liability	<u>2018</u>
Interest	\$ 63,170
Changes of assumptions or other inputs	(69,684)
Benefit payments	(59,467)
Net change in total OPEB liability	<u>(65,981)</u>
Total OPEB liability beginning	1,793,986
Total OPEB liability ending	<u>\$ 1,728,005</u>
Covered employee payroll	-
Total OPEB liability as a percentage of covered employee payroll	N/A

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.
The following are the discount rates used in each period:

2017	3.58%
2018	3.87%

2. The City implemented GASB 75 in 2018, therefore no data is presented before then.
Eventually, ten years of data will be presented.

3. All participants in the plan are retired; therefore, there is no covered payroll or service cost.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last Five Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered Payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.029068%	\$ 1,298,187	\$ 3,883,356	33.43%	63.22%
2017	0.028947%	1,373,558	3,656,273	37.57%	61.24%
2016	0.028463%	1,528,597	3,693,562	41.39%	57.03%
2015	0.029242%	1,529,629	3,351,697	45.64%	59.10%
2014	0.028952%	1,458,471	3,191,502	45.70%	61.19%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last Five Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered Payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.037318%	\$ 637,172	\$ 3,883,356	16.41%	95.77%
2017	0.037233%	1,293,669	3,656,273	35.38%	90.97%
2016	0.036471%	1,836,286	3,693,562	49.72%	85.82%
2015	0.037773%	1,349,651	3,351,697	40.27%	89.20%
2014	0.037276%	753,483	3,191,502	23.61%	93.29%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30
Last Five Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Covered Payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.005234%	\$ (95,023)	\$ (642,736)	\$ (737,759)	N/A	N/A	144.42%
2017	0.005180%	(78,592)	(531,594)	(610,186)	N/A	N/A	135.96%
2016	0.005107%	(52,617)	(355,898)	(408,515)	N/A	N/A	123.74%
2015	0.005052%	(60,888)	(411,845)	(472,733)	N/A	N/A	127.36%
2014	0.005011%	(60,773)	(411,067)	(471,840)	N/A	N/A	126.91%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30
Last Five Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Covered Payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.069907%	\$ (1,419,264)	\$ (919,416)	\$ (2,338,680)	\$ 2,326,869	-60.99%	118.50%
2017	0.067405%	(935,363)	(606,753)	(1,542,116)	2,109,925	-44.33%	113.36%
2016	0.068973%	(401,168)	(261,532)	(662,700)	2,255,979	-17.78%	106.04%
2015	0.072053%	(740,561)	(489,682)	(1,230,243)	2,091,273	-35.41%	111.67%
2014	0.070077%	(929,952)	(607,276)	(1,537,228)	1,950,149	-47.69%	116.75%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Employer Contributions
PERS 1
As of December 31
Last Five Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2018	\$ 293,682	\$ (293,682)	\$ -	\$ 3,915,896	7.50%
2017	184,536	(184,536)	-	3,764,693	4.90%
2016	168,403	(168,403)	-	3,530,474	4.77%
2015	148,282	(148,282)	-	3,382,133	4.38%
2014	132,646	(132,646)	-	3,288,709	4.03%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Employer Contributions
PERS 2/3
As of December 31
Last Five Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2018	\$ 198,245	\$ (198,245)	\$ -	\$ 3,915,896	5.06%
2017	258,577	(258,577)	-	3,764,693	6.87%
2016	219,948	(219,948)	-	3,530,474	6.23%
2015	190,375	(190,375)	-	3,382,133	5.63%
2014	164,325	(164,325)	-	3,288,709	5.00%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Employer Contributions
LEOFF 1
As of December 31
Last Five Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2018	\$ -	\$ -	\$ -	N/A	N/A
2017	-	-	-	N/A	N/A
2016	-	-	-	N/A	N/A
2015	-	-	-	N/A	N/A
2014	-	-	-	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Employer Contributions
LEOFF 2
As of December 31
Last Five Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2018	\$ 125,335	\$ (125,335)	\$ -	\$ 2,387,329	5.25%
2017	113,887	(113,887)	-	2,207,554	5.16%
2016	106,584	(106,584)	-	2,110,577	5.05%
2015	104,689	(104,689)	-	2,073,049	5.05%
2014	103,449	(103,449)	-	2,048,503	5.05%

City of Battle Ground
Notes to Required Supplemental Information - Pension
As of December 31
Last Five Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit

Note 3: Covered payroll

Note 4: Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

<u>From this</u>	<u>Through this</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	current	12.83% *

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

<u>From this</u>	<u>Through this</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	current	12.83% *

* Employer contribution rate includes an administrative expense rate of 0.18%

LEOFF 1

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
7/1/2008	8/31/2013	0.16%
9/1/2013	current	0.18% *

* Employer contribution rate includes an administrative expense rate of 0.18%

LEOFF 2

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
9/1/2013	6/30/2017	5.23%
7/1/2017	current	5.43% *

* Employer contribution rate includes an administrative expense rate of 0.18%

Effective July 1, 2017, LEOFF employers must pay an additional 3.5% to pick up the state contributions on

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