



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Fircrest

Pierce County

For the period January 1, 2013 through December 31, 2014

Published September 30, 2015

Report No. 1015262





Washington State Auditor's Office

September 30, 2015

Mayor and City Council
City of Fircrest
Fircrest, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Fircrest's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in blue ink that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

City of Fircrest Pierce County January 1, 2014 through December 31, 2014

The results of our audit of the City of Fircrest are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

**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 Fircrest
Pierce County
January 1, 2013 through December 31, 2014**

Mayor and City Council
City of Fircrest
Fircrest, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Fircrest, Pierce County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 25, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 25, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Fircrest
Pierce County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Fircrest
Fircrest, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Fircrest, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes

examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 25, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Fircrest Pierce County January 1, 2013 through December 31, 2014

Mayor and City Council
City of Fircrest
Fircrest, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Fircrest, Pierce County, Washington, for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Fircrest has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Fircrest, for the years ended December 31, 2014 and 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Fircrest, as of December 31, 2014 and 2013, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 25, 2015

FINANCIAL SECTION

**City of Fircrest
Pierce County
January 1, 2013 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fund Resources and Uses Arising from Cash Transactions – 2013
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Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
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Schedule of Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 General Fund	105 Police Investigation Fund	150 Cumulative Reserve Fund
Beginning Cash and Investments					
30810	Reserved	7,977,353	1,702,551	11,429	3,030,763
30880	Unreserved	3,809,412	1,506,423	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	3,102,224	2,964,975	-	-
320	Licenses and Permits	477,377	477,377	-	-
330	Intergovernmental Revenues	1,201,738	1,105,469	-	-
340	Charges for Goods and Services	3,715,528	147,691	-	-
350	Fines and Penalties	216,359	216,359	-	-
360	Miscellaneous Revenues	245,411	166,971	9	-
Total Operating Revenues:		8,958,638	5,078,842	9	-
Operating Expenditures					
510	General Government	947,588	947,588	-	-
520	Public Safety	2,012,763	2,012,763	-	-
530	Utilities	2,610,105	-	-	-
540	Transportation	480,179	366,550	-	-
550	Natural and Economic Environment	71,863	69,883	-	-
560	Social Services	1,411	1,411	-	-
570	Culture and Recreation	581,474	581,474	-	-
Total Operating Expenditures:		6,705,382	3,979,668	-	-
Net Operating Increase (Decrease):		2,253,254	1,099,173	9	-
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	70,944	12,544	-	-
391-393	Debt Proceeds	1,276,279	-	-	-
397	Transfers-In	932,770	182,892	-	500,000
Total Nonoperating Revenues:		2,279,993	195,436	-	500,000
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	4,442	4,442	-	-
591-593	Debt Service	143,621	-	-	-
594-595	Capital Expenditures	2,584,805	925,813	-	-
597	Transfers-Out	932,770	500,000	-	-
Total Nonoperating Expenditures:		3,665,638	1,430,255	-	-
Net Increase (Decrease) in Cash and Investments:		867,609	(135,646)	9	500,000
Ending Cash and Investments					
50810	Reserved	8,187,740	1,655,852	11,438	3,530,763
50880	Unreserved	4,466,639	1,417,479	-	-

The accompanying notes are an integral part of this statement.

City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		<u>310 Reet</u>	<u>415 Storm Drain</u>	<u>425 Water Fund (department)</u>	<u>430 Sewer Fund (department)</u>
Beginning Cash and Investments					
30810	Reserved	1,615,859	-	-	-
30880	Unreserved	-	524,180	779,238	999,571
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	137,249	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	96,269	-	-
340	Charges for Goods and Services	-	392,831	900,162	2,081,918
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,261	878	68,280	2,075
Total Operating Revenues:		<u>138,510</u>	<u>489,978</u>	<u>968,442</u>	<u>2,083,992</u>
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	336,697	785,138	1,488,269
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	1,980	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Operating Expenditures:		<u>-</u>	<u>336,697</u>	<u>787,118</u>	<u>1,488,269</u>
Net Operating Increase (Decrease):		<u>138,510</u>	<u>153,281</u>	<u>181,324</u>	<u>595,723</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	35,100	23,300
391-393	Debt Proceeds	-	-	-	1,276,279
397	Transfers-In	-	-	-	249,878
Total Nonoperating Revenues:		<u>-</u>	<u>-</u>	<u>35,100</u>	<u>1,549,457</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	54,167	89,454
594-595	Capital Expenditures	-	119,550	160,119	1,345,425
597	Transfers-Out	432,770	-	-	-
Total Nonoperating Expenditures:		<u>432,770</u>	<u>119,550</u>	<u>214,286</u>	<u>1,434,880</u>
Net Increase (Decrease) in Cash and Investments:		<u>(294,260)</u>	<u>33,731</u>	<u>2,138</u>	<u>710,301</u>
Ending Cash and Investments					
50810	Reserved	1,321,599	-	-	-
50880	Unreserved	-	557,912	781,377	1,709,871

The accompanying notes are an integral part of this statement.

City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		<u>501 Equipment Rental Fund</u>
Beginning Cash and Investments		
30810	Reserved	1,616,751
30880	Unreserved	-
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	192,927
350	Fines and Penalties	-
360	Miscellaneous Revenues	5,937
Total Operating Revenues:		<u>198,863</u>
Operating Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	113,628
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Operating Expenditures:		<u>113,628</u>
Net Operating Increase (Decrease):		<u>85,235</u>
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>-</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	33,898
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>33,898</u>
Net Increase (Decrease) in Cash and Investments:		<u>51,337</u>
Ending Cash and Investments		
50810	Reserved	1,668,088
50880	Unreserved	-

The accompanying notes are an integral part of this statement.

City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	001 General Fund	105 Police Investigation Fund	150 Cumulative Reserve Fund
Beginning Cash and Investments					
30810	Reserved	8,064,631	1,774,390	11,414	3,030,763
30880	Unreserved	3,726,849	1,440,545	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	3,013,067	2,867,679	-	-
320	Licenses & Permits	352,471	352,471	-	-
330	Intergovernmental Revenues	779,418	656,538	-	-
340	Charges for Goods and Services	3,620,413	147,954	-	-
350	Fines & Penalties	222,212	222,212	-	-
360	Miscellaneous Revenues	215,170	127,277	15	-
Total Operating Revenues:		8,202,751	4,374,131	15	-
Operating Expenditures					
510	General Government	902,771	902,771	-	-
520	Public Safety	2,024,055	2,024,055	-	-
530	Utilities	2,594,593	-	-	-
540	Transportation	471,686	344,534	-	-
550	Natural and Economic Environment	90,110	89,670	-	-
560	Social Services	1,174	1,174	-	-
570	Culture And Recreation	578,178	578,178	-	-
Total Operating Expenditures:		6,662,567	3,940,382	-	-
Net Operating Increase (Decrease):		1,540,184	433,749	15	-
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	53,389	22,689	-	-
391-393	Debt Proceeds	940,167	-	-	-
397	Transfers-In	194,228	74,322	-	-
Total Nonoperating Revenues:		1,187,784	97,011	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	21,072	21,753	-	-
591-593	Debt Service	275,589	-	-	-
594-595	Capital Expenditures	2,241,795	514,968	-	-
597	Transfers-Out	194,228	-	-	-
Total Nonoperating Expenditures:		2,732,684	536,721	-	-
Net Increase (Decrease) in Cash and Investments:		(4,716)	(5,961)	15	-
Ending Cash and Investments					
50810	Reserved	7,977,353	1,702,551	11,429	3,030,763
50880	Unreserved	3,809,412	1,506,424	-	-

The accompanying notes are an integral part of this statement.

City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		<u>310 Reet</u>	<u>415 Storm Drain</u>	<u>425 Water Fund (department)</u>	<u>430 Sewer Fund (department)</u>
Beginning Cash and Investments					
30810	Reserved	1,662,507	-	-	-
30880	Unreserved	-	391,426	688,487	1,206,391
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	145,388	-	-	-
320	Licenses & Permits	-	-	-	-
330	Intergovernmental Revenues	-	122,880	-	-
340	Charges for Goods and Services	-	384,345	869,412	2,046,105
350	Fines & Penalties	-	-	-	-
360	Miscellaneous Revenues	2,191	878	73,208	2,917
Total Operating Revenues:		<u>147,579</u>	<u>508,103</u>	<u>942,620</u>	<u>2,049,022</u>
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	335,078	691,417	1,568,098
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	440	-
560	Social Services	-	-	-	-
570	Culture And Recreation	-	-	-	-
Total Operating Expenditures:		<u>-</u>	<u>335,078</u>	<u>691,857</u>	<u>1,568,098</u>
Net Operating Increase (Decrease):		<u>147,579</u>	<u>173,025</u>	<u>250,763</u>	<u>480,924</u>
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	1,837	15,026	13,837
391-393	Debt Proceeds	-	-	-	940,167
397	Transfers-In	-	-	-	119,906
Total Nonoperating Revenues:		<u>-</u>	<u>1,837</u>	<u>15,026</u>	<u>1,073,910</u>
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	(537)	(144)
591-593	Debt Service	-	-	55,272	220,317
594-595	Capital Expenditures	-	42,106	120,304	1,541,481
597	Transfers-Out	194,228	-	-	-
Total Nonoperating Expenditures:		<u>194,228</u>	<u>42,106</u>	<u>175,039</u>	<u>1,761,654</u>
Net Increase (Decrease) in Cash and Investments:		<u>(46,649)</u>	<u>132,756</u>	<u>90,750</u>	<u>(206,820)</u>
Ending Cash and Investments					
50810	Reserved	1,615,859	-	-	-
50880	Unreserved	(1)	524,182	779,237	999,571

The accompanying notes are an integral part of this statement.

City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		<u>501 Equipment Rental Fund</u>
Beginning Cash and Investments		
30810	Reserved	1,585,557
30880	Unreserved	-
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	-
320	Licenses & Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	172,597
350	Fines & Penalties	-
360	Miscellaneous Revenues	8,684
Total Operating Revenues:		<u>181,281</u>
Operating Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	127,152
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture And Recreation	-
Total Operating Expenditures:		<u>127,152</u>
Net Operating Increase (Decrease):		54,129
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>-</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	22,936
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>22,936</u>
Net Increase (Decrease) in Cash and Investments:		31,193
Ending Cash and Investments		
50810	Reserved	1,616,751
50880	Unreserved	(1)

The accompanying notes are an integral part of this statement.

City of Fircrest
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	611 Trust Fund	655 Agency Fund/Bdg Permit
308	Beginning Cash and Investments	41,557	41,084	473
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	191,635	15,660	175,975
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	191,724	15,276	176,448
	Net Increase (Decrease) in Cash and Investments:	(89)	384	(473)
508	Ending Cash and Investments	41,468	41,468	-

The accompanying notes are an integral part of this statement.

City of Fircrest
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	611 Trust Fund	655 Agency Fund/Bdg Permit
308	Beginning Cash and Investments	38,548	38,548	-
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	45	-	45
380-390	Other Increases and Financing Sources	194,064	17,645	176,419
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	191,099	15,109	175,990
	Net Increase (Decrease) in Cash and Investments:	3,010	2,536	474
508	Ending Cash and Investments	41,558	41,084	474

The accompanying notes are an integral part of this statement.

CITY OF FIRCREST
NOTES TO FINANCIAL STATEMENTS
January 1, 2014 thru December 31, 2014

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The City of Fircrest was incorporated in 1925 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Fircrest is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administration. In addition, the City owns and operates water, sewer and storm utilities.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that City of Fircrest holds for others in an agency capacity. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held. Agency funds do not report results of operations.

In 2014 for reporting purposes Fund 411-Trust Deposits was reclassified to Fund 611-Fiduciary Fund. This reclassification allows for proper classification on Statement C-5.

B. Basis of Accounting

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

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

C. Budgets

The City adopts annual appropriated budgets for 10 funds (for reporting purposes the Street Fund has been included in the General Fund and the Relocation of Backyard Sewer Mains Project Fund has been included in the Sewer Fund). These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated amounts include Ending Fund Balance. The REET and Water Fund actual Ending Fund Balances were higher than anticipated. Actual expenditures without Ending Fund Balance were within the appropriated amounts.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 9,131,759	\$ 8,483,254	\$ 11,698
Police Inv Fund	\$ 11,449	\$ 11,438	\$ 11
Cumulative Res Fund	\$ 3,530,763	\$ 3,530,763	\$ 0
Real Est Exc Tax Fund	\$ 1,740,781	\$ 1,754,369	\$ - 13,588
Storm Drain Fund	\$ 1,082,305	\$ 1,014,159	\$ 68,146
Water Fund	\$ 1,659,431	\$ 1,782,780	\$ -123,349
Sewer Fund	\$ 5,418,430	\$ 4,633,020	\$ 460,546
Equip Rental Fund	\$ 1,836,098	\$ 1,815,615	\$ 20,483

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

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,940 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of transfers of funds for capital expenditures.

I. Risk Management

The City of Fircrest is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling

arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2014, the CIAW had 223 full members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. The insurance carrier covers insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of \$3,259,396 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 (\$10,000 for Pumps and Motors). Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps and Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-2015 policy term. An endorsement was added to the 2013-2014 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014 were \$1,817,654.59

Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

General Fund consists of three Designated Ending Fund Balances

1. Designated Light Fund \$931,702 which was established by Resolution #775 from the sale of assets from the Light Utility to the City of Tacoma. The City Council of the City of Fircrest segregated this money to be spent on an annual \$60,000 transfer to the Street Fund for Street Light maintenance and for capital projects or use as matching funds for grants.
2. Designated Fund Balance 44th \$708,056 which was established by Resolution #778 from the sale of property located at 44th Street and Alameda. This money is to be spent on capital projects or other uses Council designate.
3. Paths and Trails \$16,094 Per RCW 47.30 funds collected must be reserved for paths and trails consistent with the City's comprehensive plan.

Police Investigative Fund \$11,438. By State law, all monies received from the result of seizures, drug raids, etc. are required to be spent for police purposes.

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General \$3,000,000, Street Fund \$150,000 as well as from the proprietary Water/Sewer Fund \$380,763. These monies have been reserved for capital outlay and operation and maintenance for municipal purposes. Monies from said fund may be expended upon appropriate council action.

Real Estate Excise Tax Fund \$1,321,599. Under State law, Fircrest can spend its real estate excise tax receipts only on capital projects specified in the capital facilities plan element of its comprehensive plan. Such capital projects are defined in FMC 3.36.040(d) and FMC 3.40.020.

Equipment Rental & Replacement Fund \$1,668,088 Created by Ordinance #935. Designated funds are to be used for operation and maintenance and for the purchase of capital equipment within the Equipment Rental & Replacement Fund as designated by Council with a purchase price exceeding \$1,000 in value.

Note 2 – Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds

All deposits are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of its agent in the government's name.

Investments are presented at fair market value.

Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	① City's own investments	② Investments held by City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$8,022,308.97	\$ _____	\$8,022,308.97
US Govt Agency Securities	\$2,000,000.00	_____	\$2,000,000.00
	_____	_____	_____
Total	\$10,022,308.97	\$ _____	\$10,022,308.97

Note 3 - Property Tax

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

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

The City regular levy for the year 2014 was \$ 2.63893 per \$1,000 on an assessed valuation of \$566,076,606 for a total regular levy of \$1,493,841 for 2014. In 2014, the City levied an additional \$0.4999 per \$1,000 for Emergency Medical Service for a total additional levy of \$ 283,038.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, revenue bonds and Other Debt including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2014			\$143,621	\$143,621
2015			\$219,231	\$219,231
2016			\$220,345	\$220,345
2017			\$218,461	\$218,461
2018			\$274,512	\$274,512
2019-2023			\$1,300,067	\$1,300,067
2024-2028			\$1,092,652	\$1,092,652
2029-2033			\$762,110	\$762,110
2034-2038			\$115,873	\$115,873
	_____	_____	_____	_____
TOTALS	\$ _____	\$ _____	\$4,346,872	\$4,346,872

Note 5 - Pension Plans

Substantially all City's full-time and qualifying part-time employees participate in Public Employee Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) retirement plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Note 6 – Health and Welfare

The City of Fircrest 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 the designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

Participating employers contract to remain in the AWC 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 of 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 of 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 the AWC Board of Directors President and Vice President. 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 RCS 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

Note 7 - Other Disclosures

- a. The City's financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- b. Total cash does not include the amount of cash being held in trust for Fircrest Municipal Court. This is a holding account only. As of 12/31/2014 this amounted to \$6,684.
- c. OPEB – The City has a commitment to pay for post employment benefits for employees that belong to LEOFF1. These benefits include medical, dental, vision, and long term care. One retiree received benefits during the year and \$15,025 was paid out for those benefits.
- d. There are no pending lawsuits against the City of Fircrest as of 12/31/14.

CITY OF FIRCREST
NOTES TO FINANCIAL STATEMENTS
January 1, 2013 thru December 31, 2013

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The City of Fircrest reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Fircrest was incorporated in 1925 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Fircrest is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administration. In addition, the City owns and operates water, sewer and storm utilities. The City of Fircrest uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City of Fircrest are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Fircrest's resources are allocated to and accounted for in individual funds depending on their intended purpose. For reporting purposes the Street Fund has been included in the General Fund and the Relocation of the Backyard Sewer Mains Project Fund has been included in the Sewer Fund. The following are the fund types used by the City of Fircrest:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that City of Fircrest holds for others in an agency capacity. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held. Agency funds do not report results of operations.

In 2013 for reporting purposes Fund 411-Trust Deposits was reclassified to Fund 600-Fiduciary Fund. This reclassification allows for proper classification on Statement C-5.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City adopts annual appropriated budgets for 10 funds (for reporting purposes the Street Fund has been included in the General Fund and the Relocation of Backyard Sewer Mains Project Fund has been included in the Sewer Fund). These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

The appropriated amounts include Ending Fund Balance. The REET, Storm and Water Fund actual Ending Fund Balances were higher than anticipated. Actual expenditures without Ending Fund Balance were within the appropriated amounts.

Actual Expenditures are reported without managerial fund transfers.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 9,464,428	\$ 7,686,078	\$ 1,152,206
Police Inv Fund	\$ 11,484	\$ 11,429	\$ 55
Cumulative Res Fund	\$ 3,030,763	\$ 3,030,763	\$ 0
Real Est Exc Tax Fund	\$ 1,784,912	\$ 1,810,086	\$ - 25,174
Storm Drain Fund	\$ 854,568	\$ 901,367	\$ -46,799
Water Fund	\$ 1,607,643	\$ 1,646,132	\$ -38,489
Sewer Fund	\$ 6,013,431	\$ 4,329,323	\$ 1,359,245
Equip Rental Fund	\$ 1,782,100	\$ 1,766,838	\$ 15,262

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

D. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,940 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of transfers of funds for capital expenditures.

K. Risk Management

The City of Fircrest is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2013, the CIAW had 236 full members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. The insurance carrier covers insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of \$3,247,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 (\$10,000 for Pumps and Motors). Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2013 were \$1,423,059.12

Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

L. Reserved Fund Balance

The City has established various reserve funds.

General Fund consists of three Designated Ending Fund Balances

1. Designated Light Fund \$978,879 which was established by Resolution #775 from the sale of assets from the Light Utility to the City of Tacoma. The City Council of the City of Fircrest segregated this money to be spent on an annual \$60,000 transfer to the Street Fund for Street Light maintenance and for capital projects or use as matching funds for grants.
2. Designated Fund Balance 44th \$708,056 which was established by Resolution #778 from the sale of property located at 44th Street and Alameda. This money is to be spent on capital projects or other uses Council designate.
3. Paths and Trails \$15,616 Per RCW 47.30 funds collected must be reserved for paths and trails consistent with the City's comprehensive plan.

Police Investigative Fund \$11,429. By State law, all monies received from the result of seizures, drug raids, etc. are required to be spent for police purposes.

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General \$2,500,000, Street Fund \$150,000 as well as from the proprietary Water/Sewer Fund \$380,763. These monies have been reserved for capital outlay and operation and maintenance for municipal purposes. Monies from said fund may be expended upon appropriate council action.

Real Estate Excise Tax Fund \$1,615,859. Under State law, Fircrest can spend its real estate excise tax receipts only on capital projects specified in the capital facilities plan element of its comprehensive plan. Such capital projects are defined in FMC 3.36.040(d) and FMC 3.40.020.

Equipment Rental & Replacement Fund \$1,616,751 Created by Ordinance #935. Designated funds are to be used for operation and maintenance and for the purchase of capital equipment within the Equipment Rental & Replacement Fund as designated by Council with a purchase price exceeding \$1,000 in value.

Note 2 - Investments

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

Investments are presented at fair market value.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	① City's own investments	② Investments held by City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$8,014,306.03	\$ _____	\$8,014,306.03
U.S. Govt Securities	_____	_____	_____
Other: _____	_____	_____	_____
_____	_____	_____	_____
Total	\$8,014,306.03	\$ _____	\$8,014,306.03

Note 3 - Property Tax

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

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

The City regular levy for the year 2013 was \$ 2.63371 per \$1,000 on an assessed valuation of \$553,632,539 for a total regular levy of \$1,467,634 for 2013. In 2013, the City levied an additional \$0.5000 per \$1,000 for Emergency Medical Service for a total additional levy of \$ 277,824.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and Other Debt including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2013			\$275,590	\$275,590
2014			\$143,621	\$143,621
2015			\$145,042	\$145,042
2016			\$143,513	\$143,513
2017			\$199,920	\$199,920
2018-2022			\$976,664	\$976,664
2023-2027			\$728,396	\$728,396
2028-2032			\$633,024	\$633,024
2033-2037			\$173,811	\$173,811
	_____	_____	_____	_____
TOTALS	\$ _____	\$ _____	\$3,419,582	\$3,419,582

Note 5 - Pension Plans

Substantially all City's full-time and qualifying part-time employees participate in Public Employee Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) retirement plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Note 6 - Other Disclosures

- a. The City's financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- b. Total cash does not include the amount of cash being held in trust for Fircrest Municipal Court. This is a holding account only. As of 12/31/2013 this amounted to \$2,075.
- c. OPEB – The City has a commitment to pay for post employment benefits for employees that belong to LEOFF1. These benefits include medical, dental, vision, and long term care. One retiree received benefits during the year and \$13,708 was paid out for those benefits.
- d. There are no pending lawsuits against the City of Fircrest at this time. There has been one (1) claim for damages received on September 12, 2013 on behalf of Manuel J. Urrieta in the amount of \$120,000,000.00 The claim has been filed. No lawsuit has been filed at this time.

**City of Fircrest
Schedule of Liabilities
For the Year Ended December 31, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absenses		126,851	18,570	-	145,421
	Total General Obligations:		126,851	18,570	-	145,421
Revenue Obligations						
263.82	Water Supply Improv Loan issued 2003	12/31/2022	397,961	-	44,218	353,743
263.82	PWTF Sewer Loan issued 2011	6/1/2031	1,218,839	1,276,279	84,775	2,410,343
259.12	Compensated Absenses		33,725	5,970	-	39,695
263.82	DOE Sewer Loan issued 2011	3/31/2033	832,873	-	-	832,873
	Total Revenue Obligations:		2,483,398	1,282,249	128,993	3,636,654
	Total Liabilities:		2,610,249	1,300,819	128,993	3,782,075

City of Fircrest
Schedule of Liabilities
For the Year Ended December 31, 2013

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations						
259.11	Compensated Absenses		119,683	7,168	-	126,851
	Total General Obligations:		119,683	7,168	-	126,851
Revenue Obligations						
263.82	Water Supply Improv Loan issued 2003	12/31/2022	442,179	-	44,218	397,961
263.82	Relocation of Backyard Sewer Mains issued 2008	7/31/2013	187,500	-	187,500	-
263.82	PWTF Sewer Loan issued 2011	6/1/2031	569,337	679,467	29,965	1,218,839
259.12	Compensated Absenses		38,585	-	4,860	33,725
263.82	DOE Sewer Loan Issued 2011	3/31/2033	572,173	260,700	-	832,873
	Total Revenue Obligations:		1,809,774	940,167	266,543	2,483,398
	Total Liabilities:		1,929,457	947,335	266,543	2,610,249

City of Fircrest
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Highway Planning and Construction Cluster)	Highway Planning and Construction	20.205	STPUL-3236 (011)	699,250	-	699,250	1, 2
Total Highway Planning and Construction Cluster:				699,250	-	699,250	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Highway Safety Cluster)	State and Community Highway Safety	20.600	SWV0007707	10,079	-	10,079	1, 2
Total Highway Safety Cluster:				10,079	-	10,079	
Total Federal Awards Expended:				709,329	-	709,329	

City of Fircrest
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the City of Fircrest financial statements. The City uses the cash basis of accounting.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion are more than shown.

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

Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov