

**CITY OF FIRCREST
MCAG #0583
ANNUAL FINANCIAL REPORT
For the fiscal year ended
December 31, 2018**

Prepared by:

Fircrest Finance Department

ANNUAL REPORT CERTIFICATION

City of Fircrest

(Official Name of Government)

0583

MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended 12/31/2018

GOVERNMENT INFORMATION:

Official Mailing Address 115 Ramsdell
Fircrest, WA 98466

Official Website Address www.cityoffircrest.net

Official E-mail Address ccorcoran@cityoffircrest.net

Official Phone Number 253-564-8901

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Colleen Corcoran Finance Director

Contact Phone Number 253-564-8901

Contact E-mail Address ccorcoran@cityoffircrest.net

I certify 10th day of May, 2019, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Signatures

Colleen Corcoran (ccorcoran@cityoffircrest.net)

CITY OF FIRCREST
Annual Financial Report
For the Fiscal Year Ended December 31, 2018

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City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 General Fund	105 Police Investigation Fund	150 Cumulative Reserve Fund
Beginning Cash and Investments					
30810	Reserved	7,669,421	1,348,753	11,927	3,530,763
30880	Unreserved	6,241,706	2,218,186	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	3,542,843	3,269,332	-	-
320	Licenses and Permits	528,791	528,791	-	-
330	Intergovernmental Revenues	681,462	662,086	-	-
340	Charges for Goods and Services	4,710,695	210,596	-	-
350	Fines and Penalties	251,168	251,118	50	-
360	Miscellaneous Revenues	699,030	529,685	131	-
Total Revenues:		10,413,989	5,451,610	181	-
Expenditures					
510	General Government	1,131,663	1,131,663	-	-
520	Public Safety	2,215,410	2,215,410	-	-
530	Utilities	3,299,531	-	-	-
540	Transportation	565,397	431,901	-	-
550	Natural and Economic Environment	80,951	80,630	-	-
560	Social Services	1,699	1,699	-	-
570	Culture and Recreation	720,614	720,614	-	-
Total Expenditures:		8,015,266	4,581,918	-	-
Excess (Deficiency) Revenues over Expenditures:		2,398,724	869,691	181	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	82,031	82,031	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	10,295	10,295	-	-
381, 395, 398	Other Resources	13,263	13,263	-	-
Total Other Increases in Fund Resources:		105,588	105,588	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,348,726	742,148	-	-
591-593, 599	Debt Service	365,258	-	-	-
597	Transfers-Out	82,031	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	11,738	11,738	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,807,753	753,886	-	-
Increase (Decrease) in Cash and Investments:		(303,440)	221,394	181	-
Ending Cash and Investments					
5081000	Reserved	7,482,284	941,179	12,108	3,530,763
5088000	Unreserved	6,125,397	2,847,150	-	-
Total Ending Cash and Investments		13,607,681	3,788,329	12,108	3,530,763

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, 2018

		310 Reet	415 Storm Drain	425 Water Fund (department)	430 Sewer Fund (department)
Beginning Cash and Investments					
30810	Reserved	1,350,790	-	-	-
30880	Unreserved	-	634,667	773,815	2,615,038
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	273,511	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	16,969	-	-
340	Charges for Goods and Services	-	499,391	1,031,620	2,644,856
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	16,295	2,994	91,446	24,062
Total Revenues:		289,806	519,353	1,123,066	2,668,918
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	413,571	916,994	1,968,966
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	321	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	413,571	917,315	1,968,966
Excess (Deficiency) Revenues over Expenditures:		289,806	105,783	205,751	699,952
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	24,082	440,739	926,679
591-593, 599	Debt Service	-	-	49,745	315,513
597	Transfers-Out	82,031	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		82,031	24,082	490,484	1,242,192
Increase (Decrease) in Cash and Investments:		207,775	81,701	(284,733)	(542,240)
Ending Cash and Investments					
5081000	Reserved	1,558,565	-	-	-
5088000	Unreserved	-	716,367	489,081	2,072,799
Total Ending Cash and Investments		1,558,565	716,367	489,081	2,072,799

City of Fircrest
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>501 Equipment Rental Fund</u>
Beginning Cash and Investments		
30810	Reserved	1,427,188
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	2,407
340	Charges for Goods and Services	324,232
350	Fines and Penalties	-
360	Miscellaneous Revenues	34,416
Total Revenues:		<u>361,055</u>
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	133,496
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>133,496</u>
Excess (Deficiency) Revenues over Expenditures:		<u>227,559</u>
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>-</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	215,078
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		<u>215,078</u>
Increase (Decrease) in Cash and Investments:		<u>12,481</u>
Ending Cash and Investments		
5081000	Reserved	1,439,669
5088000	Unreserved	-
Total Ending Cash and Investments		<u>1,439,669</u>

City of Fircrest
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	Pension Trust	Agency
308	Beginning Cash and Investments	49,445	47,422	2,023
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	745,162	18,100	727,062
510-590	Deductions	745,667	18,802	726,865
	Net Increase (Decrease) in Cash and Investments:	(505)	(702)	196
508	Ending Cash and Investments	48,940	46,720	2,220

The accompanying notes are an integral part of this statement.

SCHEDULE OF DISBURSEMENT ACTIVITY

For Year Ending: December 31, 2018

Fund	Fund Title	Beginning Outstanding Items 01/01/2018	Issued During The Year	During The Year	Redeemed Canceled During The Year	Ending Outstanding Items 12/31/2018	Prior Yr Open Period Items	Curr Yr Open Period Items	Disbursements 12/31/2018
001	General Fund	394,929.06	5,581,942.57	5,786,081.33		190,790.30	0.00	0.00	5,581,942.57
105	Police Investigation Fund	32.50		32.50			0.00	0.00	
415	Storm Drain	15,478.07	284,312.17	291,998.00		7,792.24	0.00	0.00	284,312.17
425	Water Fund (department)	92,118.32	1,133,935.32	1,201,945.62		24,108.02	0.00	0.00	1,133,935.32
430	Sewer Fund (department)	74,736.32	2,754,706.73	2,747,027.36		82,415.69	0.00	0.00	2,754,706.73
501	Equipment Rental Fund	30,087.09	342,085.28	365,293.84		6,878.53	0.00	0.00	342,085.28
650	Fircrest Court Agency Account		504,266.31	504,266.31			0.00	0.00	504,266.31
655	Agency Fund/Bdg Permit	15,225.69	222,598.54	221,611.19		16,213.04	0.00	0.00	222,598.54
998	ASP Claims Clearing	12.00				12.00	0.00	0.00	
TOTALS:		622,619.05	10,823,846.92	11,118,256.15	0.00	328,209.82			10,823,846.92

**City of Fircrest
Schedule of Liabilities
For the Year Ended December 31, 2018**

<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>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Gen Fund		122,911	-	11,029	111,882
263.82	Water Supply Improv Loan Issued 2003	12/31/2022	221,090	-	44,218	176,872
263.82	PWTF Sewer Loan Issued 2011	6/1/2031	2,388,176	-	170,584	2,217,592
263.82	DOE Sewer Loan Issued 2011	3/31/2033	1,992,964	-	83,412	1,909,552
259.12	Compensated Absences - Proprietary		32,322	-	3,512	28,810
264.30	Pension Liabilities		1,264,607	-	350,856	913,751
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,022,070	-	663,611	5,358,459
Total Liabilities:			6,022,070	-	663,611	5,358,459

CITY OF FIRCREST
SCHEDULE OF CASH ACTIVITY
For Year Ending: December 31, 2018

Fund	Beg Balance	Receipts	Transfers-In	Other Rev	Netted Trans	Ttl Increase	Disbursements	Trans-Out	Other Exp	Ttl Decrease	End Balance
001 General Fund	3,566,938.72	5,146,117.99	-303,658.83	1,290,835.18		6,133,294.34	5,581,942.57	-303,658.83	633,619.88	5,911,903.62	3,788,329.44
105 Police Investigation Fund	11,926.64	181.44				181.44					12,108.08
150 Cumulative Reserve Fund	3,530,763.00										3,530,763.00
310 Reet	1,350,789.82	289,805.69				289,805.69			82,030.78	82,030.78	1,558,564.73
411 Trust Fund	47,422.00	-702.00				-702.00					46,720.00
415 Storm Drain	634,666.86	525,511.16	-530,000.00	529,571.95		525,083.11	284,312.17	-530,000.00	689,070.93	443,383.10	716,366.87
425 Water Fund (department)	773,814.87	1,141,437.10	-621,000.00	609,002.11		1,129,439.21	1,133,935.32	-621,000.00	901,237.46	1,414,172.78	489,081.30
430 Sewer Fund (department)	2,615,038.26	2,678,281.02	-2,138,250.00	2,140,128.09		2,680,159.11	2,754,706.73	-2,138,250.00	2,605,942.05	3,222,398.78	2,072,798.59
501 Equipment Rental Fund	1,427,188.42	33,037.61		328,017.14		361,054.75	342,085.28		6,488.77	348,574.05	1,439,669.12
650 Fircrest Court Agency Account	2,023.00	504,261.31				504,261.31	504,266.31			504,266.31	2,018.00
655 Agency Fund/Bdgd Permit		222,800.54				222,800.54	222,598.54			222,598.54	202.00
TOTALS:	13,960,571.59	10,540,731.86	-3,592,908.83	4,897,554.47		11,845,377.50	10,823,846.92	-3,592,908.83	4,918,389.87	12,149,327.96	13,656,621.13

City of Fircrest
SCHEDULE OF STATE FINANCIAL ASSISTANCE (unaudited)
For Fiscal Year ended December 31, 2018

Grantor	Program Title	Identification Number	Amount
State Grant from Other Judicial Agencies	Information Technology Primary Purchase Agreement	IAA10278	2,070
		Sub-total: 2,070	
	State Grant from Transportation Improvement Board (TIB)		
	Emerson Street Alameda Avenue to S. Orchard Street	P-P-130(PO1)-1	24,473
		Sub-total: 24,473	
	State Grant from Department of Ecology		
	2017-2019 Biennial Stormwater Capacity Grant	WQSWCAP-1719-FircPW00060	33,031
		Sub-total: 33,031	
		Grand total: 59,574	

City of Fircrest
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-0455(003)	259,500	-	259,500	-	1,2,3
	Total Highway Planning and Construction Cluster:			259,500	-	259,500	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Overtime Safety Patrols	15,278	-	15,278	-	1,2,3
	Total Highway Safety Cluster:			15,278	-	15,278	-	
	Total Federal Awards Expended:			274,778	-	274,778	-	

The accompanying notes are an integral part of this schedule.

City of Fircrest
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of Fircrest's financial statements. The City of Fircrest 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 of Fircrest's portion, are more than shown. Such expenditures are recognized following, the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The City of Fircrest has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Labor Relations Consultant
For the Year Ended December 31, 2018**

Has your government engaged labor relations consultants? ☒ Yes ☐ No

If yes, please provide the following information for each consultant:

Name of firm: Summit Law Group
Name of consultant: John Lee
Business address: 315 Fifth Avenue South, Suite 100 Seattle, WA 98104
Amount paid to consultant during fiscal year: \$ 10,023.05
Terms and conditions, as applicable, including: Rates (e.g., hourly, etc.) \$260.00 Maximum compensation allowed based on annual budget Duration of services 1/1/18 to 12/31/18 Services provided Assistance with personnel issues

**Local Government Risk Assumption
For the Year Ended December 31, 2018**

1. Self-Insurance Program Manager: Jessica Nappi
2. Manager Phone: 253-238-4123
3. Manager Email: JNappi@cityoffircrest.net
4. How do you insure property and liability risks, if at all?
 - a. Self-insure some or all risks
 - b. Belong to a public entity risk pool**
 - c. Purchase private insurance
 - d. No insurance
5. How do you provide health and welfare insurance (e.g., medical, dental, prescription drug, and/or vision benefits) to employees, if at all?
 - a. Self-insure some or all benefits
 - b. Belong to a public entity risk pool**
 - c. All benefits provided by health insurance company or HMO
 - d. Not applicable - no such benefits offered
6. How do you insure unemployment compensation benefits, if any?
 - a. Self-insured ("Reimbursable")**
 - b. Belong to a public entity risk pool
 - c. Pay taxes to the Department of Employment Security ("Taxable")
 - d. Not applicable – no employees
7. How do you insure workers compensation benefits, if any?
 - a. Self-insured ("Reimbursable")
 - b. Belong to a public entity risk pool
 - c. Pay premiums to the Department of Labor and Industries**
 - d. Not applicable – no employees
8. How do you insure other risks and obligations, if any?
 - a. Self-insure some or all other risks
 - b. Belong to a public entity risk pool
 - c. Purchase private insurance
 - d. Not applicable – have no other insurable risks**

If the answer to any of the above questions is (a), then answer the rest of the form in relation to the government's self-insured risks.

If NOT, STOP, the local government does not need to complete the rest of this Schedule.

9. Does the local government self-insure any risks as an individual program? **(yes/no)**
- i. If answered YES, does the local government allow another separate legal entity into its self-insurance program(s)? **(yes/no)** For example, employees of a different organization participate in a health and welfare program of a city.
- If so, list the other entity or entities: _____
10. Does the local government self-insure any risks as a joint program? **(yes/no)**
- i. If answered YES, list the other member(s): _____
11. Are any claims administered by contract with a third-party administrator? **(yes/no)**
12. Did the local government (or its third party administrator, if applicable) receive a claims audit within the last three years? **(yes/no)**
13. Were the program's revenues sufficient to cover the program's expenses? **(yes/no)**
14. Did the program use an actuary to determine its liabilities? **(yes/no)**
15. For each type of self-insured risk, describe the risk, the number of claims received during the period, the number of claims paid during the period and the amount of claims paid in the following table:

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period

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 local government and provides public safety, municipal court, 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 GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. 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.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General Fund \$3,000,000, Street Fund \$150,000 as well as from the proprietary Water Fund \$11,513 and Sewer Fund \$369,250. 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 \$1,558,565. 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 \$1,439,669. 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 – Budget Compliance

A. Budgets

The City of Fircrest adopts annual appropriated budgets for 8 funds (for reporting purposes the Street Fund has been included in the General Fund and the Storm, Water and Sewer Capital Funds have been included in their respective Funds). These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$6,554,009	\$6,196,848	\$357,161
Storm Fund	\$1,031,475	\$ 967,653	\$ 63,822
Water Fund	\$2,200,723	\$2,028,800	\$171,923
Sewer Fund	\$5,611,257	\$5,349,408	\$261,849
Equipment Rental Fund	\$ 378,164	\$ 348,574	\$ 29,590
Police Investigation Fund	\$ 11,967	\$ 0	\$ 11,967
Real Estate Excise Tax	\$ 82,280	\$ 82,031	\$ 249
Cumulative Reserve Fund	\$ 0	\$ 0	\$ 0

Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Fircrest's legislative body.

Note 3 – Deposits and Investments

It is the City of Fircrest'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 and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City of Fircrest or its agent in the government's name.

Bonds are recorded with a total face value of \$5,000,000.

Fair Market Value of Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	City of Fircrest's own investments	Investments held by City of as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$6,758,071.17		\$6,758,071.17
U.S. Government Securities	<u>\$4,944,313.00</u>		<u>\$4,944,313.00</u>
Total	\$11,702,384.17		\$11,702,384.17

Compensating Balance: The City of Fircrest has agreed to keep a \$1 million average ledger balance with Columbia Bank to offset banking fees through consolidated account analysis.

Note 4 - 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 of Fircrest. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Fircrest's regular levy for the year 2018 was \$1.9533 per \$1,000 on an assessed valuation of \$804,570,865 for a total regular levy of \$1,571,635. In 2018, the City levied an additional \$0.4053 per \$1,000 for Emergency Medical Service for a total additional levy of \$326,093

Note 5 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Fircrest and summarizes the City of Fircrest's debt transactions for year ended December 31, 2018.

The debt service requirements for other debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 300,580	\$ 63,147	\$ 363,727
2020	\$ 303,013	\$ 59,182	\$ 362,195
2021	\$ 305,515	\$ 55,148	\$ 360,663
2022	\$ 308,088	\$ 51,043	\$ 359,131
2023	\$ 266,515	\$ 46,865	\$ 313,380
2024 – 2028	\$1,374,966	\$185,542	\$1,560,508
2029 – 2033	\$1,112,150	\$ 96,955	\$1,209,105
2034 – 2038	<u>\$ 333,189</u>	<u>\$ 14,207</u>	<u>\$ 347,396</u>
TOTALS	<u>\$4,304,016</u>	<u>\$572,089</u>	<u>\$4,876,105</u>

Note 6 – OPEB Plans

The City has a commitment to pay for post-employment benefits for one employee that belongs to LEOFF1. These benefits include medical, dental, vision, and long term care. Total benefits paid out during 2018 was \$8,666.62.

Note 7 – Pension Plans

State Sponsored Pension Plans

Substantially all City of Fircrest full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, PERS 2, PERS 3, LEOFF 1 and LEOFF 2.

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

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

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

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

At June 30, 2018, the City of Fircrest proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 8,562	0.001281%	\$ 57,210
PERS 1 UAAL	\$ 86,159	0.012890%	\$575,672
PERS 2/3	\$126,930	0.016450%	\$280,869

LEOFF 1	\$ 0	0.001877%	(\$ 34,077)
LEOFF 2	\$ 37,881	0.021845%	(\$443,501)

LEOFF Plan 1

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

LEOFF Plan 2

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

Note 8 – 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, 2018, the CIAW had 207 full members in the program.

The program provides the following forms of joint self-insurance and reinsurance 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, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. 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 as another layer of protection to its membership, with an attachment point of \$1,922,394.

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, which may vary per member, with the exception of Pumps and Motors, which is \$10,000. 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 December 1, to terminate participation the following December 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/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2018 were \$2,809,430.40.

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

Note 9 – 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 a designated account within the Trust.

As of December 31, 2018, 281 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 Washington State Auditor's office.

Note 10 - Other Disclosures

- a. The City's financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- b. The City has two pending lawsuits against the City of Fircrest as of 12/31/18.
 1. Jose German v. City of Fircrest. This lawsuit remains pending at this time. Officer Roberts is also named as defendant. This lawsuit is a civil rights complaint filed in the US District Court, Western District of Washington. The City is represented by attorney Thomas Miller of Christie Law Group. The trial date is set for February 19, 2019 before Judge Settle in Federal Court. The claims against the City of Fircrest have been dismissed. The only remaining claim is the Plaintiff's Fourth Amendment Excessive Force Claim against Officer Chris Roberts.
 2. Susan Crawford v. City of Fircrest. This case was filed in Pierce County Superior Court under cause number 16-2-12036-1. Ms. Crawford tripped and fell and is suing the city for damages. The trial date is set for April 9, 2019. The City is represented by attorney Jerry Moberg.

- c. The City has active construction projects as of December 31, 2018. At year end the City's construction commitment with contractors are:

Project	Spent to Date	Remaining Remaining	Funding Source
Pool/Community Center Design	\$ 0	\$ 678,180	44 th St Fund Balance/Donations
Capital Campaign Pool/CC	\$ 0	\$ 50,000	44 th St Fund Balance
Whittier Tennis Courts	\$ 0	\$ 32,500	44 th St Fund Balance
Drake Street lift station	\$ 426,053	\$ 27,400	Sewer Capital Fund Balance

Of the committed balance of \$788,080, the City will be required to raise \$0 in future financing.