

2012
Comprehensive Annual
Financial Report



For the fiscal year ended December 31, 2012

City of Enumclaw
www.cityofenumclaw.net



Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2012



Prepared by the Finance Department
Stephanie McKenzie, Finance Director

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Introduction





**Finance Department
1339 Griffin Ave. Enumclaw, WA 98022**

Honorable Mayor and City Council Members
City of Enumclaw
Enumclaw, WA 98022

The City of Enumclaw Comprehensive Annual Finance Report (CAFR) for the fiscal year ended December 31, 2012 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and agencies of the City. All disclosures necessary to enable the reader to gain an understanding of Enumclaw's financial activities have been included.

The CAFR is presented in two sections; introductory and financial. The introductory section includes the transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the State Auditor's report on the financial statements and schedules, Management's Discussion and Analysis (MD&A), Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, and Other Required Supplemental Information. This report includes all funds and agencies of the City.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A immediately follows the report of the independent auditors.

Profile of the Government

The City of Enumclaw was incorporated in 1913 and operates as a Non-charter Code City with a Mayor-Council form of government. The Council is comprised of seven members, elected at large by the citizens of Enumclaw, each serving a four-year term. They are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The Mayor, an elected official, is the Chief Executive Officer of the City. The Mayor is assisted by a full-time City Administrator. The City Administrator and other officers and department directors are appointed by the Mayor with Council confirmation.

The City of Enumclaw provides a full range of municipal services, including parks and recreation/activities, pool municipal golf course, exposition center, library, streets, planning, zoning, and general administrative services. The City also operates water, wastewater, natural gas, and garbage utility systems. With the completion of the Wastewater Treatment Plant expansion in 2009, the City can accommodate substantial growth in the future.

Financial Management and Controls

City of Enumclaw management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of the relative costs and benefits of the control system requires estimates and judgments by management.

Cash Management

It is the City's policy to invest all temporary cash surpluses with maturities planned to coincide with cash needs. Cash was invested in government bonds and with the State of Washington Local Government Investment Pool.

Independent Audit

Washington State law requires an annual audit by the State Auditor, an independently elected state official. The State Auditor has broad legal authority to inquire into all financial and legal compliance matters. The audits are made in conformance with generally accepted auditing standards, cover the financial statements of all City funds and account groups. The City was given an unqualified opinion for 2012.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department and accounting liaisons throughout the City. I would also like to express my appreciation to the Mayor and City Council for their interest and support in planning and conducting the financial operations for the City in a responsible and progressive manner.

Respectfully,

Stephanie McKenzie
Finance Director

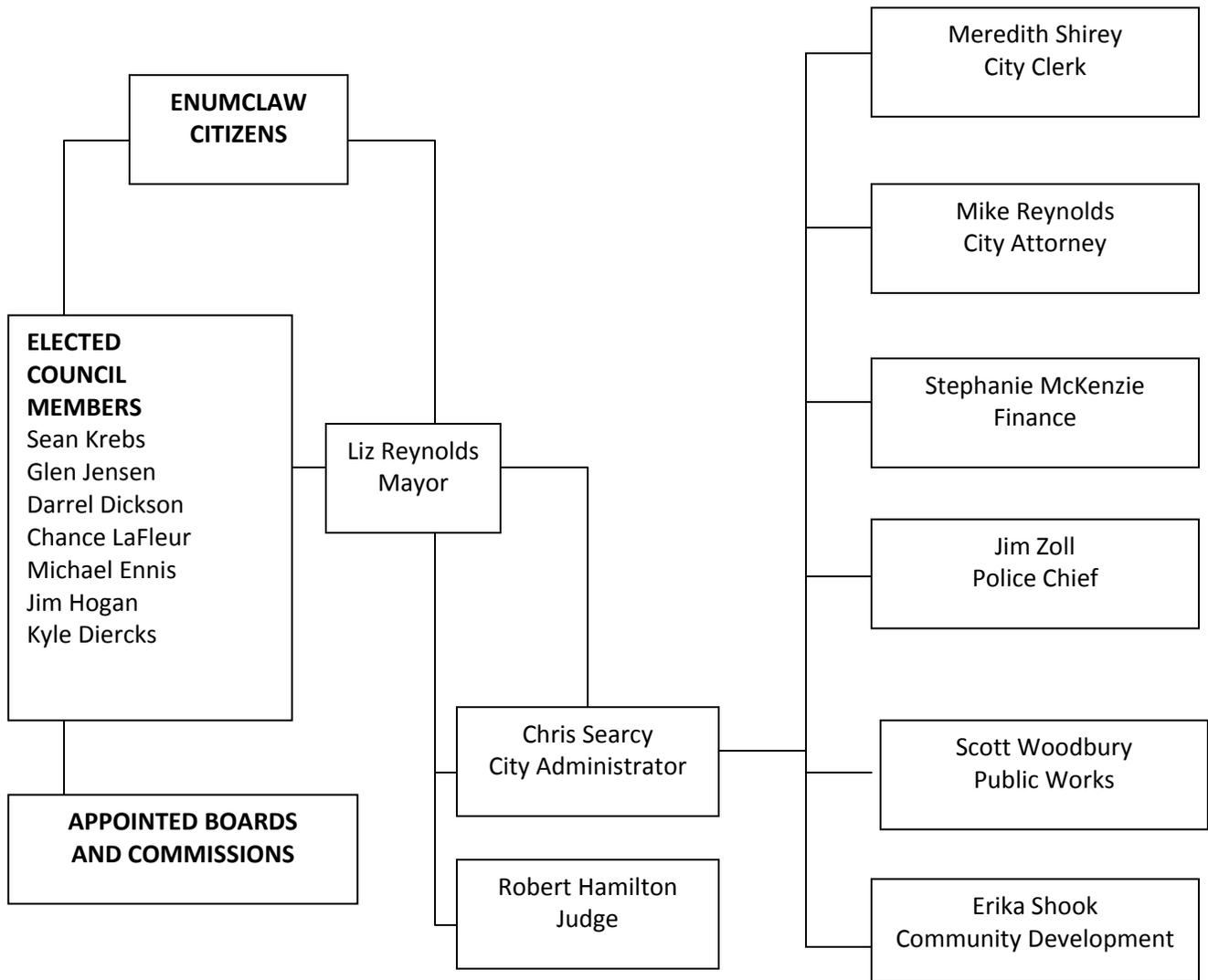
City of Enumclaw Mayor and City Council

<u>Position</u>	<u>Name</u>	<u>Term</u>	<u>Expiration</u>
Mayor	Liz Reynolds E-mail: lreynolds@ci.enumclaw.wa.us Phone: (360) 802-0229	4 years	12/31/13
Council Position 1	Glen Jensen	4 years	12/31/13
Council Position 2	Darrel Dickson	4 years	12/31/15
Council Position 3	Kyle Diercks	4 years	12/31/13
Council Position 4	Chance LaFleur	4 years	12/31/15
Council Position 5	Michael Ennis	4 years	12/31/13
Council Position 6	Jim Hogan	4 years	12/31/15
Council Position 7	Sean Krebs E-mail: council@ci.enumclaw.wa.us Phone: (360) 615-5608	4 years	12/31/13

City Officials

<u>Position</u>	<u>Name</u>	<u>Department</u>	<u>Contact</u>
City Administrator	Chris Searcy	Administration	csearcy@ci.enumclaw.wa.us 360 825 3591
Judge	Robert Hamilton	Municipal Court	360 825 7771
City Attorney	Michael Reynolds	Legal	360 825 3591
City Clerk	Meredith Shirey	Administration	mshirey@ci.enumclaw.wa.us 360 802 6282
Chief	James Zoll	Police	jimz@police.ci.enumclaw.wa.us 360 825 3505
Director	Stephanie McKenzie	Finance	smckenzie@ci.enumclaw.wa.us 360 825 3591
Acting Director	Scott Woodbury	Public Works	swoodbury@ci.enumclaw.wa.us 360 825 3593
Director	Erika Shook	Community Development	eshook@ci.enumclaw.wa.us 360 825 3593
Hearing Examiner	Sharon Rice	Community Development	360 825 3593

MANAGEMENT ORGANIZATION CHART



Financial Section



Independent Auditor's Report on Financial Statements

**City of Enumclaw
King County
January 1, 2012 through December 31, 2012**

Mayor and City Council
City of Enumclaw
Enumclaw, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Enumclaw, King County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Enumclaw, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general and street funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the information on postemployment benefits other than pensions that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

December 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Enumclaw presents this discussion and analysis as part of the City's financial performance statement for the fiscal year ending December 31, 2012. The information presented should be read in conjunction with the transmittal letter, the financial statements and the notes to the financial statements that follow.

Financial Highlights

- The assets of the City exceeded its liabilities at December 31, 2012 by \$99,161,697. Of this amount, the use of \$10,897,697 is unrestricted.
- The City's total net assets decreased by \$253,576.
- The City's governmental funds decreased \$317,406 from the prior year to an ending fund balance of \$5,884,234. Of this amount, 27% is unassigned, and available for spending at the City's discretion.
- At the end of the current fiscal year the general fund's unassigned fund balance was \$1,379,880. This represents 19% of fund expenditures.
- Total bonded debt for the City of Enumclaw at December 31, 2012 is \$9,791,367.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Enumclaw's financial statements and is intended to assist users in interpretation of the basic financial statements. These basic statements consist of three parts:

- government-wide financial statements
- fund financial statements
- notes to the financial statements

Government-wide financial statements present the City of Enumclaw's financial condition in a manner similar to private sector statements. They distinguish between functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The two statements provide both short-term and long-term information about the overall financial status of the City. All funds are represented except fiduciary types.

- The **statement of net assets** presents information on assets and liabilities similar to a private sector balance sheet. The difference between assets and liabilities becomes the "net" asset. This report could be useful in determining the condition of the City's infrastructure systems for future development as well as general economic changes.
- The **statement of activities** reports the change in the City's net assets for the report year. The accounting basis used is full accrual. Revenues are reported when earned, expenses are reported when incurred.

Fund financial statements provide detailed information about the City's most significant funds, not the City as a whole, and are used to track specific sources of funding and spending. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report. There are three types of funds, described as follows.

Governmental funds represent most of the City's basic services such as police, fire, parks, a portion of public works and general administration. Governmental fund statements include balance sheets and statements of revenues, expenditures and changes in fund balance. Unlike the government-wide statements, these statements provide only a detailed short-term view of the City's financial resources available for spending. The accounting basis used is modified accrual and there are no capital assets or long-term debt included in these reports. Budgetary comparisons are included with the financial statements. These statements demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds represent activities the City operates similar to private businesses wherein customers (either outside customers or internal funds or departments of the City) are charged a fee for services. The City has both enterprise and internal service types of proprietary funds. The statements provide both long-term and short-term financial information. The accounting basis used is full accrual. The statements include all assets and liabilities and all revenues and expenses. Also included is cash flow information. Proprietary fund statements provide the same type of information as the government-wide financial statement, since both apply the full accrual method of accounting.

- Enterprise funds account for the operations of five major funds; water, wastewater, natural gas, solid waste utilities, and exposition center.
- Internal service funds are used to report activities that provide supplies and services for many City programs. The City uses internal service funds to account for purchases and maintenance in fleet, facilities and information technology activities. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for resources where the City acts as trustee or agent and is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The accounting used for these funds is similar in nature to proprietary fund reporting since it includes both short-term and long-term information and employs the full accrual method. Reports include a statement of net assets and a statement of changes in net assets. *These funds are excluded from the government-wide financial statements because these assets cannot be used to finance general City operations.*

Notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents comparative budget statements for the general, street, and fire fund.

Government-wide Financial Analysis**Net Assets**

The City's net assets total \$99.2 million at December 31, 2012, a decrease of .3% over December 31, 2011.

Capital assets; composed of land, buildings, streets and other significant investments represent 86% of net assets, this amount is not considered liquid and is not available for future spending.

Resources subject to bond covenants restrict 1.7% of net assets, a slight increase from the prior year. The remaining balance of unassigned net assets are available to meet the City's ongoing obligations. In 2012 this comprises 11% of net assets, up from 10% in 2011. The City's overall financial position has remained steady due to City Council and Administrations reductions in operating and capital expenditures to ensure budgeted expenditures are well below expected revenues.

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 10,921,992	\$ 11,611,057	\$ 6,278,446	\$ 5,512,171	\$ 17,200,438	\$ 17,123,228
Capital assets	<u>42,277,295</u>	<u>43,244,399</u>	<u>73,094,931</u>	<u>75,275,359</u>	<u>115,372,226</u>	<u>118,519,758</u>
Total assets	53,199,287	54,855,456	79,373,377	80,787,530	132,572,664	135,642,986
Long-term liabilities outstanding	841,234	1,014,791	4,394,906	29,891,658	5,236,140	30,906,449
Other liabilities	<u>1,117,837</u>	<u>1,198,995</u>	<u>27,056,990</u>	<u>4,122,271</u>	<u>28,174,827</u>	<u>5,321,266</u>
Total liabilities	1,959,071	2,213,786	31,451,896	34,013,929	33,410,967	36,227,715
Net assets:						
Invested in capital assets, net of related debt	41,568,903	42,367,950	43,387,530	42,802,196	84,956,433	85,170,146
Restricted	2,623,980	2,737,758	683,745	675,567	3,307,725	3,413,325
Unrestricted	<u>7,047,333</u>	<u>7,535,962</u>	<u>3,850,206</u>	<u>3,295,840</u>	<u>10,897,539</u>	<u>10,831,802</u>
Total net assets	\$ 51,240,216	\$ 52,641,670	\$ 47,921,481	\$ 46,773,601	\$ 99,161,697	\$ 99,415,273

Changes in Net Assets

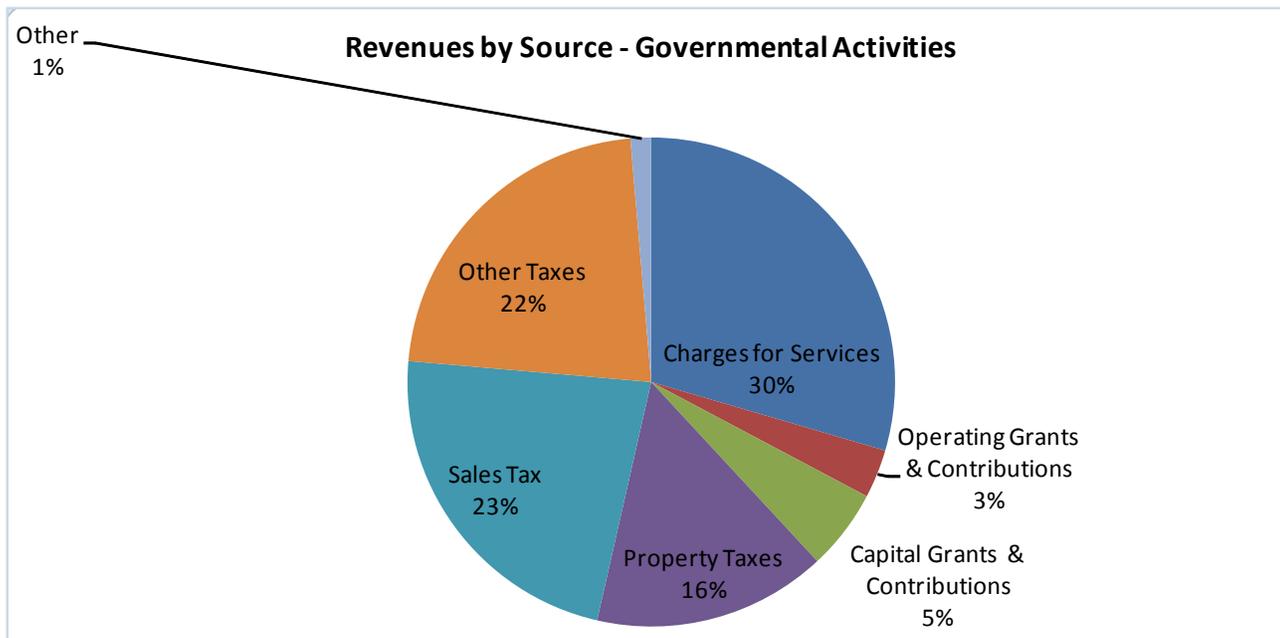
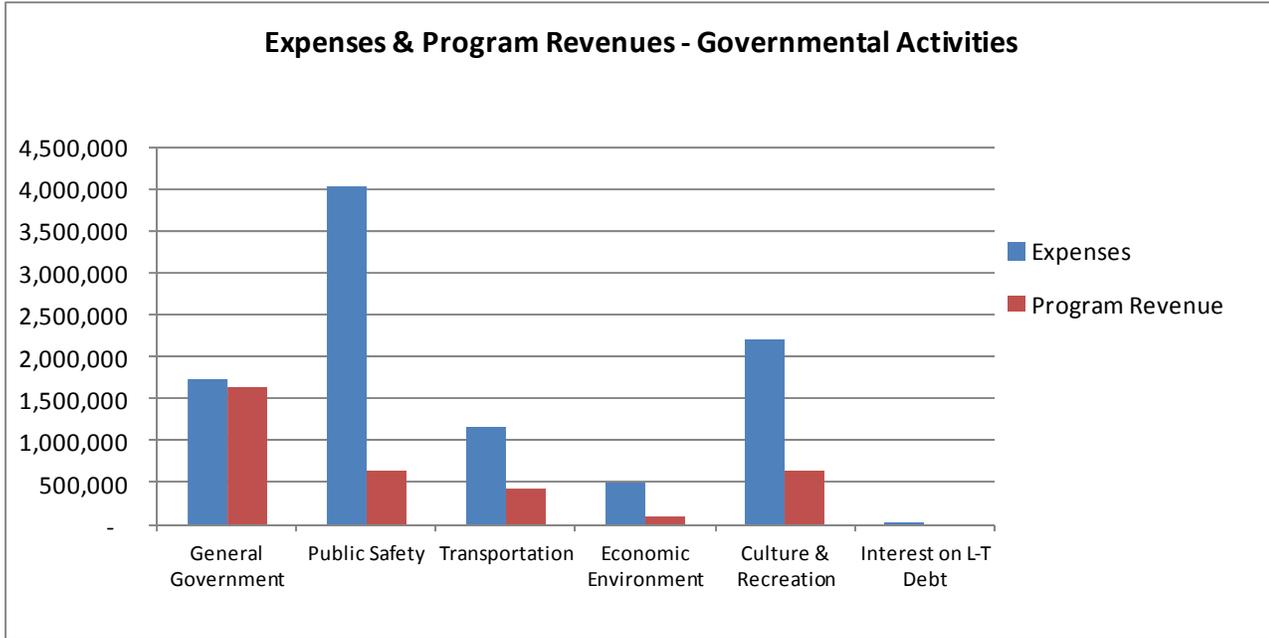
The financial position of the City of Enumclaw remained steady in 2012, with only a slight decrease in net assets.

Changes in Net Assets (in thousands)

	Governmental Activities		Business -Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program Revenues:						
Charges for services	\$ 2,649	\$ 3,841	\$ 13,775	\$ 14,357	\$ 16,424	\$ 18,198
Operating grants and contribution	289	200	27	21	316	221
Capital grants and contributions	479	1,714	-	575	479	2,289
General Revenue					-	-
Property tax	1,384	2,323			1,384	2,323
Retail sales and use taxes	2,047	2,097			2,047	2,097
Interfund tax	909	924			909	924
Other unrestricted revenues	<u>1,086</u>	<u>1,107</u>	<u>-</u>	<u>-</u>	<u>1,086</u>	<u>1,107</u>
Total revenues	<u>8,843</u>	<u>12,206</u>	<u>13,802</u>	<u>14,953</u>	<u>22,645</u>	<u>27,159</u>
Program expenses:						
General Government	1,752	1,581			1,752	1581
Public Safety	4,027	4,335			4,027	4335
Transportation	1,163	1,043			1,163	1043
Economic environment	505	509			505	509
Culture and recreation	2,206	2,241			2,206	2241
Interest & other debt service costs	<u>34</u>	<u>10</u>			<u>34</u>	<u>10</u>
Water	-	-	2,171	2,090	2,171	2090
Wastewater	-	-	3,040	2,972	3,040	2972
Natural Gas	-	-	3,956	4,140	3,956	4140
Solid Waste	-	-	1,877	1,776	1,877	1776
Expo Center	<u>-</u>	<u>-</u>	<u>1,061</u>	<u>938</u>	<u>1,061</u>	<u>938</u>
Total expenses	9,687	9,719	12,105	11,916	21,792	21,635
Excess before special items	(844)	2,487	1,697	3,037	853	5,524
Contributions & misc	(557)	218	(548)	96	(1,105)	314
Transfers	-	(239)	-	239	-	-
Change in net assets	<u>(1,401)</u>	<u>2,466</u>	<u>1,149</u>	<u>3,372</u>	<u>(252)</u>	<u>5,838</u>
Net Assets, Beginning	<u>52,641</u>	<u>50,175</u>	<u>46,773</u>	<u>43,401</u>	<u>99,414</u>	<u>93,576</u>
Prior Period Adjustments	-	-	-	-	-	-
Net Assets, Ending	<u>\$ 51,240</u>	<u>\$ 52,641</u>	<u>\$ 47,921</u>	<u>\$ 46,773</u>	<u>\$ 99,162</u>	<u>\$ 99,414</u>

Program revenues and expenses – governmental activities

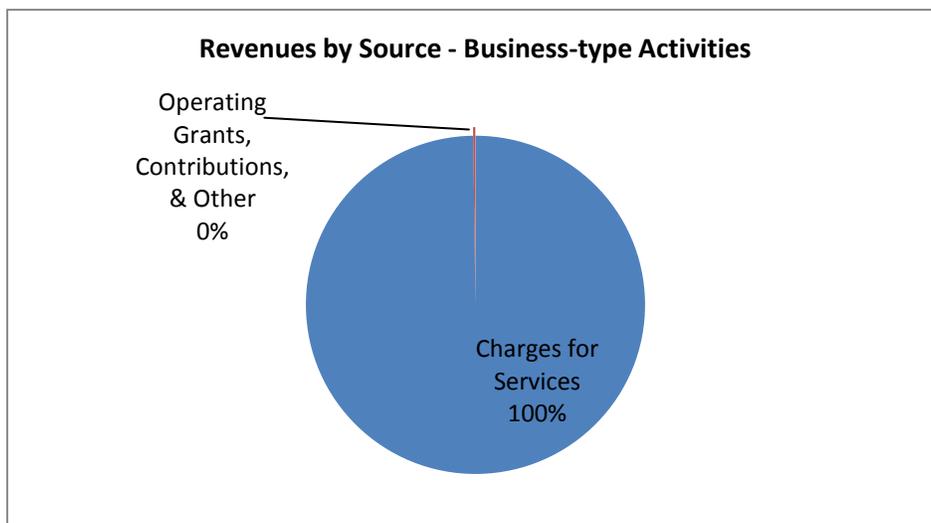
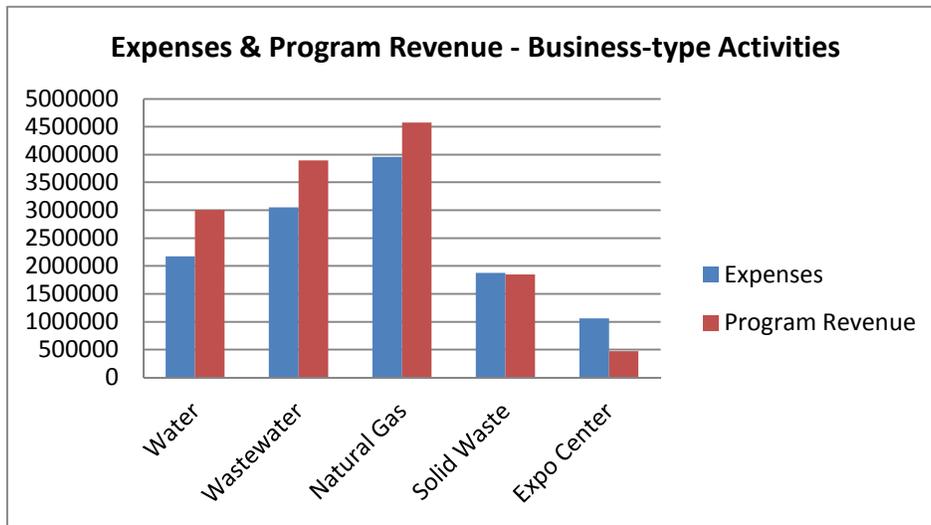
Expenses for governmental programs decreased \$30k from 2011 mainly due to costs savings incurred in health care. Taxes comprised 61% of governmental revenues. Charges for services add an additional 30%.



Business-type Activities

Net assets increased by \$1.15 million in business-type funds mainly due to efforts to keep operating costs well below operating revenues. Business-type funds consist of water, wastewater, natural gas, solid waste utilities, and exposition center.

Charges for services revenues decreased \$581 thousand in the utility funds, due in large part to natural gas supply savings being passed on to the customers through a rate decrease. Natural gas is the largest City program with 33% of business-type expense and 18% of all City expenses. The price of natural gas supply fluctuates greatly based on the regional and global economies, and this represents the majority of expenditures in this fund.



Financial Analysis of the Government's Funds

As noted earlier, the City of Enumclaw uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. In addition to the general fund and proprietary funds, the city also reported the Street Fund as major fund in 2012.

Governmental Funds

The focus of the City of Enumclaw's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Enumclaw's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balance in governmental funds decreased \$317 thousand in 2012 to \$5.9 million. Operating revenues decreased \$2.8 million and operating expenditures decreased \$3.1 million. Both decreases in revenues and expenditures are due in large part to the annexations of the Fire/EMS department and the Library.

Taxes are the most significant source of governmental revenues, representing 59% of total governmental revenues and 68% of general fund revenues. Taxes support services, such as police and parks, which are basic to the City's mission, yet do not themselves generate substantial revenues. The major tax categories are retail sales and use, property and utility taxes. The recession that began in 2008 continues to affect the City's tax revenues, especially in the area of sales tax.

The only significant tax revenue not designated for the general fund is real estate excise tax. This tax is shared by two special revenue funds and used primarily for construction and significant maintenance projects. Revenues in 2012 for these two funds totaled \$101 thousand, a decrease of \$2 thousand from 2011. The continued decline of REET dollars negatively affects the City's ability to carry out capital projects.

Expenditures

Public safety, police, comprise 41% of general fund governmental expenditures.

General expenditures are typically overhead in nature, providing management, accounting, legal, personnel and technical services required by operating programs. They comprised 19% of total expenditures, up 1% from 2011. Cultural services include most parks and recreation programs, the pool, and cemetery. They represent another 22% of expenditures. Capital expenditures comprise 1% of governmental expenditures in 2012, a decrease due to few capital projects and purchases.

The Street Fund was reported as a major fund due to the expenditures incurred for annual pavement maintenance and capital projects such as Garrett Street and Battersby Street improvements. Capital projects in the Street Fund are paid for through a combination of funding sources, such as grants, impact fees, and/or REET taxes.

Proprietary Funds

The City of Enumclaw's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary funds at year end amounted to \$3.8 million. Total growth in net assets for these funds was \$1.15 million, mainly due to overall cost savings.

General Fund Budgetary Highlights

For 2012, the final general fund budget was \$8.96 million and actual operations were \$8.4 million. Amendments to the City budget are made for the following purposes;

- Supplemental appropriations approved after the beginning of the year to reflect actual beginning account balances and to correct the estimated amounts in the budget adopted December 2011.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

Actual operating revenues were \$517 thousand over the final budget. Actual operating expenditures were \$577 thousand under final budget amounts, the result of cost-cutting measures implemented early in 2012 by City Administration. It should be noted that the City closed the following Special Revenue Funds into the General Fund: Library, Cemetery, Art, Property Management, Human Services, and 1998 Unlimited GO Bond Funds.

Capital Asset and Debt Administration

Capital Assets

At the end of 2012, the City had invested \$115 million (net of depreciation) in a wide range of capital assets throughout governmental and business-type activities. The 2.7% decrease was due to the Fire and Library annexations, in which the majority of assets were transferred to the other entities. More detailed information about the City's capital assets is presented in Note IV-D to the financial statements.

	Capital Assets (net of depreciation, in thousands)							
	Governmental activities		Business-type activities		Total		Percentage Change 2011- 2010	
	2012	2011	2012	2011	2012	2011		
Land	\$ 8,210	\$ 8,210	\$ 3,708	\$ 3,708	\$ 11,918	\$ 11,918	0.0%	
Buildings	2,305	2,908	16,831	17,486	19,136	20,394	-6.6%	
Improvements & infrastru	28,552	29,167	50,642	51,995	79,194	81,162	-2.5%	
Machinery and equipmer	2,422	2,078	1,904	2,058	4,326	4,136	4.4%	
Construction in progress	788	881	10	29	798	910	-14.0%	
Total	\$ 42,277	\$ 43,244	\$ 73,095	\$ 75,276	\$ 115,372	\$ 118,520	-2.7%	

Long-term Liabilities

At year-end, City outstanding liabilities, including compensated absences, had decreased 8%. More detailed information about the City's long-term liabilities is presented in Notes IV-F and V-I of the financial statements.

The City of Enumclaw's current revenue bond rating from Standard and Poor's is 'A-' for bonds issued prior to 2012.

	Outstanding Debt (in thousands)						Percentage Change 2010 - 2009
	Governmental activities		Business-type activities		Total		
	2012	2011	2012	2011	2012	2011	
General obligation bonds	\$ 327	\$ 380	\$ 510	\$ 670	\$ 837	\$ 1,050	-25.4%
Revenue bonds	-	-	8,840	9,640	8,840	9,640	-9.0%
Bond Anticipation Note	-	-	-	-	-	-	
Special assessment bonds	114	137	-	-	114	137	-20.2%
Notes payable	-	-	-	-	-	-	0.0%
Capital Lease	133	191	-	-	133	191	-43.6%
Government Loans	132	167	20,320	22,140	20,452	22,307	-9.1%
Compensated absences	863	789	269	284	1,132	1,073	5.2%
Total	\$ 1,569	\$ 1,664	\$ 29,939	\$ 32,734	\$ 31,508	\$ 34,398	-9.2%

State law limits the amount of general obligation debt the City can issue to a percentage of the total assessed value of the taxable property of the city. The limits are:

- 1.50% non voted
- 2.50% voted
- 7.50% voted if excess over 2.50% is for utilities, parks or open space development

Calculation of Legally Available Debt

Total assessed value	\$	1,031,169,830	
Allowable general purpose indebtedness (legal limit 2.5% of taxable property value)			25,779,246
Unvoted indebtedness incurred (less assets available)		218,100	
Voted indebtedness incurred (less assets available)		-	
Total debt incurred			218,100
Legally available debt capacity	-	General Purposes	25,561,146
		- Utility Purposes	25,779,246
		- Open Space & Parks Purposes	25,779,246
Total legally available debt capacity			<u>\$ 77,119,637</u>

Economic Factors

The Seattle metropolitan area is the closest statistical indicator for Enumclaw. Unemployment rate as of April 2012 for the Seattle metropolitan area was 6.7% due to national economic conditions.

	Unemployment	CPI-U
Enumclaw/King 2012	6.7%	1.4
Enumclaw/King 2011	7.8%	1.7
National	8.2%	1.2

Contacting the City's Financial Management

This financial report is designed to provide those with an interest in the City of Enumclaw's financial condition with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information contained herein or requests for additional information should be addressed to the Finance Director, City of Enumclaw, 1339 Griffin Avenue, Enumclaw, WA 98022, or visit the City's website www.cityofenumclaw.net

CITY OF ENUMCLAW
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 356,386	\$ 112,710	\$ 469,096
Investments	8,048,071	2,869,024	10,917,095
Receivable (net allowance for uncollectible)	114,695	1,584,409	1,699,104
Due from Other Gov't Units	276,716	300,000	576,716
Due from Other Funds	1,048,084		1,048,084
Inventories	-	212,275	212,275
Other Receivables	1,078,040	-	1,078,040
Total current assets	<u>10,921,992</u>	<u>5,078,418</u>	<u>16,000,410</u>
Noncurrent assets:			
Restricted cash		45,358	45,358
Investments	-	1,154,670	1,154,670
Capital assets (net of accumulated depreciation):			
Land	8,210,077	3,707,570	11,917,647
Buildings	2,304,980	16,830,661	19,135,641
Improvements	28,552,183	50,642,152	79,194,335
Machinery and equipment	2,422,051	1,903,957	4,326,008
Construction work in progress	788,004	10,591	798,595
Total noncurrent assets	<u>42,277,295</u>	<u>74,294,959</u>	<u>116,572,254</u>
Total assets	<u>53,199,287</u>	<u>79,373,377</u>	<u>132,572,664</u>
Deferred outflow of resources	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	192,654	540,766	733,420
Due From Other Funds	148,084	900,000	1,048,084
Other liabilities	48,849	34,869	83,718
Current portion:			
Bonds payable	54,772	1,010,000	1,064,772
Special assessments w/ gov't commitments	30,187		30,187
Longterm liabilities	97,388	1,820,548	1,917,936
Compensated absences	269,300	88,723	358,023
Total current liabilities	<u>841,234</u>	<u>4,394,906</u>	<u>5,236,140</u>
Noncurrent liabilities:			
Bonds payable (net of amortized discount)	272,284	8,377,860	8,650,144
Special assessments debt	84,124	-	84,124
Other long-term liabilities	167,503	18,498,995	18,666,498
Compensated absences	593,926	180,135	774,061
Total noncurrent liabilities	<u>1,117,837</u>	<u>27,056,990</u>	<u>28,174,827</u>
Total liabilities	<u>1,959,071</u>	<u>31,451,896</u>	<u>33,410,967</u>
Deferred inflows of resources	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	41,568,903	43,387,530	84,956,433
Restricted			
Expendable			
Capital projects	875,311	57,250	932,561
Civic and recreation	42,282	-	42,282
Debt service	1,023,469	626,495	1,649,964
Public safety	148,789	-	148,789
Nonexpendable			
Permanent	534,129	-	534,129
Unrestricted	7,047,333	3,850,206	10,897,539
Total net position	<u>\$ 51,240,216</u>	<u>\$ 47,921,481</u>	<u>\$ 99,161,697</u>

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

CITY OF ENUMCLAW
Statement of Activities
For the Year Ended December 31, 2012

Functions/Program	Program Revenues				Net (Expense) Revenue Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
Primary Government:					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,752,303	\$ 1,442,071	\$ 123,502	\$ 60,725	\$ (126,005)	\$ -	\$ (126,005)
Public safety	4,027,265	\$ 473,095	165,605	-	(3,388,565)	-	(3,388,565)
Transportation	1,163,309	-	-	418,866	(744,443)	-	(744,443)
Economic environment	505,210	95,095	-	-	(410,115)	-	(410,115)
Culture and recreation	2,206,399	639,082	-	-	(1,567,317)	-	(1,567,317)
Interest & other debt service costs	33,844	-	-	-	(33,844)	-	(33,844)
Total governmental activities	<u>9,688,330</u>	<u>2,649,343</u>	<u>289,107</u>	<u>479,591</u>	<u>(6,270,289)</u>	<u>-</u>	<u>(6,270,289)</u>
Business-type activities:							
Water	2,171,086	3,008,266	-	-	-	837,180	837,180
Wastewater	3,039,801	3,898,277	-	-	-	858,476	858,476
Natural Gas	3,956,569	4,576,985	-	-	-	620,416	620,416
Solid Waste	1,877,375	1,820,021	27,875	-	-	(29,479)	(29,479)
Expo Center	1,061,023	472,446	-	-	-	(588,577)	(588,577)
Total business-type activities	<u>12,105,854</u>	<u>13,775,995</u>	<u>27,875</u>	<u>-</u>	<u>-</u>	<u>1,698,016</u>	<u>1,698,016</u>
Total primary government	<u>\$ 21,794,184</u>	<u>\$ 16,425,338</u>	<u>\$ 316,982</u>	<u>\$ 479,591</u>	<u>\$ (6,270,289)</u>	<u>\$ 1,698,016</u>	<u>\$ (4,572,273)</u>
General Revenues:							
Taxes:							
Property Taxes					1,384,266	-	1,384,266
Retail Sales and Use Taxes					2,047,425	-	2,047,425
Interfund Taxes					909,217	-	909,217
Other Taxes					1,086,556	-	1,086,556
Unrestricted investment earnings					85,420	17,993	103,413
Miscellaneous					(644,050)	(566,089)	(1,210,139)
Transfers					-	-	-
Total General Revenues, Special Items and Transfers					<u>4,868,834</u>	<u>(548,096)</u>	<u>4,320,738</u>
Change in Net Assets					<u>(1,401,454)</u>	<u>1,149,920</u>	<u>(251,534)</u>
Net Position - Beginning					<u>52,641,670</u>	<u>46,773,601</u>	<u>99,415,271</u>
Prior Period Adjustments					-	(2,040)	(2,040)
Net Position - Ending					<u>\$ 51,240,216</u>	<u>\$ 47,921,481</u>	<u>\$ 99,161,697</u>

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

CITY OF ENUMCLAW
Balance Sheet
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 188,627	\$ 2,007	\$ 70,105	\$ 260,739
Investments at fair value	3,777,504	51,089	1,784,615	5,613,208
Receivable (net of allowance for uncollectible)	65,850	3,299	42,477	111,626
Intergovernmental receivable	276,716	-	-	276,716
Due From other Funds	-	-	-	-
Prepaid Accounts	9,999	-	-	9,999
Other Non-current Assets	95,423	-	-	95,423
Special assessments deferred	-	-	736,179	736,179
Total assets	<u>4,414,119</u>	<u>56,395</u>	<u>2,633,376</u>	<u>7,103,890</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	140,739	13,958	6,058	160,755
Deferred revenue	125,791	-	736,179	861,970
Due to Other Funds	-	-	148,085	148,085
Other liabilities	25,852	-	22,997	48,847
Total liabilities	292,382	13,958	913,319	1,219,657
Fund balances:				
Nonspendable	9,999	-	-	9,999
Restricted	95,423	-	1,529,360	1,624,785
Committed	2,636,438	-	-	2,636,438
Assigned	-	-	26,628	26,628
Unassigned	1,379,880	42,437	164,068	1,586,385
Total fund balances	<u>4,121,737</u>	<u>42,437</u>	<u>1,720,056</u>	<u>5,884,234</u>
Total liabilities and fund balances	<u>\$ 4,414,119</u>	<u>\$ 56,395</u>	<u>\$ 2,633,376</u>	<u>\$ 7,103,892</u>

CITY OF ENUMCLAW
Reconciliation of the Balance Sheet
of Governmental Funds
to the Statement of Net Assets
December 31, 2012

Total fund balances - governmental funds	\$ 5,884,234
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital and other assets used in governmental activities are not financial resources and therefore not reported as assets in the funds.	40,751,367
Internal service funds are used to charge the cost of services to other funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	5,028,527
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	861,970
Other receivables are not available to pay for current-period expenditures, therefore are deferred in the governmental funds. These amounts are included in the Statement of Net Assets	236,442
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	(1,522,319)
Net assets of government activities	<u>\$ 51,240,218</u>

CITY OF ENUMCLAW
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,318,567		\$ 101,061	\$ 5,419,628
Licenses and permits	231,730	2,675	-	234,405
Intergovernmental revenue	705,152	384,246	16,446	1,105,844
Charges and services	1,232,171	7,400	578,201	1,817,771
Fines and forfeits	184,877		3,385	188,262
Miscellaneous revenues	<u>152,391</u>	<u>1,852</u>	<u>284,971</u>	<u>439,214</u>
Total revenues	7,824,888	396,173	984,064	9,205,124
EXPENDITURES				
Current:				
General government services	1,710,985		18,461	1,729,446
Public safety	3,790,549	-	13,754	3,804,303
Economic environment	530,264		-	530,264
Transportation	0	712,026	-	712,026
Cultural and recreation	1,268,538		848,191	2,116,729
Debt service:	0			
Redemption of general long-term debt	0	35,381	181,254	216,635
Interest and other debt service cost	0	1,677	35,467	37,144
Capital outlay	<u>88,586</u>	<u>31,952</u>	<u>7,835</u>	<u>128,373</u>
Total expenditures	<u>7,388,922</u>	<u>781,035</u>	<u>1,104,962</u>	<u>9,274,919</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>435,966</u>	<u>(384,862)</u>	<u>(120,898)</u>	<u>(69,795)</u>
OTHER FINANCING SOURCES (USES)				
Other Finance Sources	0		-	-
Transfers in	409,284	414,820	246,000	1,070,104
Transfers out	<u>(994,070)</u>	<u>-</u>	<u>(314,929)</u>	<u>(1,308,999)</u>
Total other financing sources and (uses)	<u>(584,786)</u>	<u>414,820</u>	<u>(68,929)</u>	<u>(238,895)</u>
Net change in fund balances	(148,820)	29,958	(189,827)	(308,690)
Fund balances - beginning (restated)	<u>4,270,556</u>	<u>12,479</u>	<u>1,909,885</u>	<u>6,192,920</u>
Prior Period	-	-	-	-
Fund balances - ending	<u>\$ 4,121,737</u>	<u>\$ 42,437</u>	<u>\$ 1,720,056</u>	<u>5,884,232</u>

CITY OF ENUMCLAW
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2012

Net changes in fund balances - total governmental funds	\$ (308,690)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the change in depreciation exceeded the capital outlays.	(664,801)
Capital assets transferred to Fire District #28 and KCLS after annexation.	(708,204)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	125,404
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(78,107)
Internal service funds are used by management to charge costs of certain activities, such as fleet, warehouse, facilities, telecommunications, etc. to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	232,943
Change in net assets of governmental activities	\$ <u>(1,401,454)</u>

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

CITY OF ENUMCLAW
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
General Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Budget Basis To</u>	<u>Actual GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		<u>GAAP Basis Differences</u>	
REVENUES					
Taxes:					
Property	\$ 1,341,472	\$1,342,672	\$1,363,858	\$ -	\$ 1,363,858
Retail sales and use	1,900,000	1,900,000	1,811,319		1,811,319
Interfund utility	938,400	938,400	909,218		909,218
Business & Occupation	965,000	972,500	961,286		961,286
Other	254,500	260,500	272,887		272,887
Licenses and permits	218,500	218,500	231,730		231,730
Intergovernmental revenue	590,820	540,819	705,152	-	705,152
Charges for services	1,274,515	1,275,114	1,232,171	-	1,232,171
Fines and forfeits	179,200	186,200	184,877	-	184,877
Miscellaneous revenues:		-			-
Investment interest	4,900	7,425	35,206	1,901	37,107
Other miscellaneous revenues	30,150	94,977	115,283	-	115,283
Total revenues	<u>7,697,457</u>	<u>7,737,107</u>	<u>7,822,988</u>	<u>1,900</u>	<u>7,824,888</u>
EXPENDITURES					
City council	31,320	31,320	29,616		29,616
Municipal court	427,645	426,553	362,247		362,247
Administration	464,028	440,336	401,816	-	401,816
Finance	688,988	719,912	666,094	-	666,094
Legal	160,410	160,410	129,293	-	129,293
Police	3,663,755	-	3,708,650	-	3,708,650
Community development	536,517	-	490,822	-	490,822
Culture & Recreation	652,675	-	1,025,517	-	1,025,517
Non-departmental	201,507	280,927	574,868	-	574,868
Total expenditures	<u>6,826,845</u>	<u>2,059,458</u>	<u>7,388,922</u>	<u>-</u>	<u>7,388,922</u>
Excess of revenues over (under) expenditures	<u>870,612</u>	<u>5,677,649</u>	<u>434,066</u>	<u>1,900</u>	<u>435,966</u>
OTHER FINANCING SOURCES (USES)					
Other financing sources	-	246,225	-		-
Transfer in	285,750	768,283	409,284	-	409,284
Transfers out	(921,353)	(1,271,353)	(994,070)	-	(994,070)
Total other financing sources (uses)	<u>(635,603)</u>	<u>(256,845)</u>	<u>(584,786)</u>	<u>-</u>	<u>(584,786)</u>
Net change in fund balances	235,009	5,420,804	(150,720)	1,900	(148,820)
Fund balance - beginning	<u>917,571</u>	<u>3,611,772</u>	<u>3,956,157</u>	<u>314,399</u>	<u>4,270,556</u>
Prior Period			-		-
Fund balance - ending	<u>\$ 1,152,580</u>	<u>\$9,032,576</u>	<u>\$3,805,437</u>	<u>\$ 316,299</u>	<u>\$ 4,121,737</u>

Explanation of differences in amounts reported on Budget Basis and GAAP Basis: The City budgets certain funds as Special Revenue Funds for budgetary control purposes which are included in the General Fund for GAAP reporting purposes as follows:

Special Revenue Funds - Budget Basis	Net Changes in Fund	
	Contingency Fund	Balance Budget Basis to GAAP Basis
Revenues	\$ 1,901	\$ 1,901
Expenditures	-	-
Other Financing Sources (Uses), Net	-	-
Net Change in Fund Balance	1,901	1,901
Fund Balance - Beginning of Year	314,399	314,399
Fund Balance - End of Year	<u>\$ 316,300</u>	<u>\$ 316,300</u>

CITY OF ENUMCLAW
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Street Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	462,433	521,842	384,246	(137,596)
Charges for services	6,000	6,000	7,400	1,400
Miscellaneous revenues	2,000	2,000	4,527	2,527
Total revenues	<u>470,433</u>	<u>529,842</u>	<u>396,172</u>	<u>(133,669)</u>
EXPENDITURES				
Transportation	670,108	681,108	712,026	(30,918)
Capital Outlay	-	62,000	31,952	30,048
Debt service:				
Redemption of general longterm debt	35,381	35,381	35,381	-
Interest and other debt service cost	1,677	1,677	1,677	-
Total expenditures	<u>707,166</u>	<u>780,166</u>	<u>781,036</u>	<u>(870)</u>
Excess of revenues over(under) expenditures	<u>(236,733)</u>	<u>(250,324)</u>	<u>(384,864)</u>	<u>(134,539)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	-	-	-
Transfer in	474,820	474,820	414,820	(60,000)
Transfers out	-	(130,000)	-	130,000
Total other financing sources (uses)	<u>474,820</u>	<u>344,820</u>	<u>414,820</u>	<u>70,000</u>
Net change in fund balances	238,087	94,496	29,956	(64,540)
Fund balance - beginning	<u>53,247</u>	<u>257,126</u>	<u>12,479</u>	<u>(244,647)</u>
Prior Period Adjustment			-	
Fund balance - ending	<u>\$ 291,334</u>	<u>\$ 351,622</u>	<u>\$ 42,437</u>	<u>\$ (309,187)</u>

CITY OF ENUMCLAW
Statement of Net Position
Proprietary Funds, For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds						Governmental
	Water	Wastewater	Natural Gas	Solid Waste	Expo Center	Totals	Activities - Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 33,332	\$ 6,339	\$ 59,584	\$ 1,503	\$ 11,952	\$ 112,710	\$ 95,647
Investments at fair value	848,381	161,313	1,516,805	38,261	304,264	2,869,024	2,434,863
Receivable (net allowance for uncollectible)	301,970	415,261	655,450	209,460	2,268	1,584,409	3,069
Interfund receivables	-	-	-	-	-	-	-
Due from other Gov Units	-	-	-	-	300,000	300,000	-
Inventories	57,360	-	154,915	-	-	212,275	-
Total current assets	<u>1,241,043</u>	<u>582,913</u>	<u>2,386,754</u>	<u>249,223</u>	<u>618,484</u>	<u>5,078,418</u>	<u>2,533,579</u>
Noncurrent assets:							
Restricted cash	17,129	25,797	2,432	-	-	45,358	-
Restricted investments	436,048	656,703	61,919	-	-	1,154,670	-
Interfund receivables	-	-	-	-	-	-	1,048,084
Capital assets (net of accumulated depreciation)							
Land	58,855	2,035,866	2,475	375	1,610,000	3,707,570	375
Buildings	834,523	13,062,870	16,581	-	2,916,687	16,830,661	-
Improvements	23,970,513	21,085,779	3,893,079	4,893	1,687,888	50,642,152	74,722
Machinery and equipment	242,445	1,149,354	364,947	14	147,197	1,903,957	1,450,831
Construction in progress	-	7,791	-	-	2,800	10,591	-
Total noncurrent assets	<u>25,559,513</u>	<u>38,024,159</u>	<u>4,341,432</u>	<u>5,282</u>	<u>6,364,572</u>	<u>74,294,959</u>	<u>2,574,012</u>
Total assets	<u>\$ 26,800,556</u>	<u>\$ 38,607,072</u>	<u>\$ 6,728,186</u>	<u>\$ 254,505</u>	<u>\$ 6,983,056</u>	<u>\$ 79,373,376</u>	<u>\$ 5,107,592</u>
LIABILITIES							
Current liabilities:							
Accounts payable	11,087	46,357	408,978	69,180	5,164	540,766	31,899
Other accrued liabilities	2,750	-	13,554	54	18,510	34,869	-
Interfund Loan Payable	300,000	600,000	-	-	-	900,000	-
Current long term	1,012,185	1,653,363	165,000	-	-	2,830,548	-
Total current liabilities	<u>1,326,022</u>	<u>2,299,720</u>	<u>587,532</u>	<u>69,234</u>	<u>23,675</u>	<u>4,306,182</u>	<u>31,899</u>
Noncurrent liabilities:							
Lease payables	-	-	-	-	-	-	-
Bonds payable (net of amortized discount)	2,554,944	5,477,916	345,000	-	-	8,377,860	-
Compensated absences	72,049	76,387	89,235	28,880	2,307	268,858	47,165
Other long-term liabilities	2,463,865	16,035,130	-	-	-	18,498,995	-
Total noncurrent liabilities	<u>5,090,858</u>	<u>21,589,433</u>	<u>434,235</u>	<u>28,880</u>	<u>2,307</u>	<u>27,145,713</u>	<u>47,165</u>
Total liabilities	<u>6,416,880</u>	<u>23,889,152</u>	<u>1,021,768</u>	<u>98,113</u>	<u>25,982</u>	<u>31,451,896</u>	<u>79,065</u>
NET ASSETS							
Invested in capital assets, net of related debt	19,075,342	14,175,251	3,767,081	5,282	6,364,572	43,387,528	1,525,928
Restricted for debt service	476,136	150,359	-	-	-	626,495	-
Restricted for construction	-	-	57,250	-	-	57,250	-
Unrestricted	832,198	392,308	1,882,087	151,111	592,502	3,850,206	3,502,599
Total net assets	<u>\$ 20,383,676</u>	<u>\$ 14,717,920</u>	<u>\$ 5,706,418</u>	<u>\$ 156,391</u>	<u>\$ 6,957,074</u>	<u>\$ 47,921,481</u>	<u>\$ 5,028,527</u>

CITY OF ENUMCLAW
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities Enterprise Funds					Totals	Governmental Activities Internal Service Funds
	Water	Wastewater	Natural Gas	Solid Waste	Expo Center		Service Funds
Operating revenues:							
Customer sales and service fees	\$ 2,858,159	\$ 3,854,310	\$ 4,547,317	\$ 1,800,499	\$ -	\$ 13,060,286	\$ 1,725,637
Other charges for service	-	900	-	-	139,405	140,305	46,457
Other operating revenue	<u>150,106</u>	<u>43,068</u>	<u>29,668</u>	<u>19,521</u>	<u>333,041</u>	<u>575,405</u>	<u>32,095</u>
Total operating revenues	<u>3,008,266</u>	<u>3,898,277</u>	<u>4,576,985</u>	<u>1,820,021</u>	<u>472,446</u>	<u>13,775,995</u>	<u>1,804,189</u>
Operating expenses:							
General operations	688,709	680,285	724,464	1,247,257	604,406	3,945,121	1,040,909
General administration operations	566,951	729,823	557,397	291,557	-	2,145,729	111,264
Gas purchased for resale	-	-	2,126,360	-	-	2,126,360	-
Maintenance	-	180,795	-	-	-	180,795	-
Depreciation and amortization	544,218	1,139,735	150,807	699	456,617	2,292,075	233,678
Insurance and payment on claims	-	-	-	-	-	-	334,810
Taxes	<u>371,208</u>	<u>309,163</u>	<u>397,542</u>	<u>337,863</u>	<u>-</u>	<u>1,415,775</u>	<u>-</u>
Total operating expenses	<u>2,171,086</u>	<u>3,039,801</u>	<u>3,956,569</u>	<u>1,877,375</u>	<u>1,061,023</u>	<u>12,105,854</u>	<u>1,720,662</u>
Operating income (loss)	<u>837,179</u>	<u>858,477</u>	<u>620,417</u>	<u>(57,354)</u>	<u>(588,577)</u>	<u>1,670,141</u>	<u>83,528</u>
Nonoperating revenues (expenses):							
Investment interest	3,833	3,537	7,306	622	2,695	17,993	16,264
Intergovernmental	-	-	-	27,875	-	27,875	-
Proceeds(Loss) from sale of Capital Assets	-	-	-	-	-	-	61,305
Interest expense and related charges	<u>(190,701)</u>	<u>(349,394)</u>	<u>(25,991)</u>	<u>-</u>	<u>-</u>	<u>(566,086)</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>(186,868)</u>	<u>(345,857)</u>	<u>(18,685)</u>	<u>28,496</u>	<u>2,695</u>	<u>(520,218)</u>	<u>77,569</u>
Income (loss) before contributions and transfers	650,312	512,620	601,732	(28,858)	(585,882)	1,149,923	161,097
Transfers in	-	-	-	-	-	-	238,895
Capital Asset contributions	-	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	650,312	512,620	601,732	(28,858)	(585,882)	1,149,923	399,992
Total net assets - beginning	19,694,720	14,245,989	5,104,688	185,244	7,542,957	46,773,598	4,628,542
Special Item	38,648	-	-	-	-	38,648	-
Prior Period Correction	-	(40,688)	-	-	-	(40,688)	-
Total net assets - ending	<u>\$ 20,383,677</u>	<u>\$ 14,717,920</u>	<u>\$ 5,706,419</u>	<u>\$ 156,386</u>	<u>\$ 6,957,075</u>	<u>\$ 47,921,481</u>	<u>\$ 5,028,527</u>

CITY OF ENUMCLAW
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Natural Gas</u>	<u>Solid Waste</u>	<u>Expo Center</u>	<u>Total</u>	<u>Gov'tal Activities Internal Svc Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 2,832,563	\$ 3,854,195	\$ 4,786,516	\$ 1,787,941	\$ 213,432	\$ 13,474,648	\$ 1,727,723
Receipts for miscellaneous revenue	150,106	43,068	29,668	19,521	333,041	575,405	78,546
Payments for insurance and claims	-	-	-	-	-	-	(334,810)
Payments for merchandise	-	-	(2,126,360)	-	-	(2,126,360)	-
Payments for wages and operating expenses	(1,643,364)	(1,902,979)	(1,698,169)	(1,900,453)	(617,895)	(7,762,860)	(1,141,455)
Net cash provided (used) by operating activities	<u>1,339,306</u>	<u>1,994,283</u>	<u>991,656</u>	<u>(92,990)</u>	<u>(71,421)</u>	<u>4,160,833</u>	<u>330,004</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES							
Interfund loans	-	250,000	-	-	-	250,000	(244,042)
Grant receipts	-	-	-	27,875	-	27,875	-
Interfund transfers	-	-	-	-	-	-	238,895
Net cash (used) by capital financing activities	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>27,875</u>	<u>-</u>	<u>277,875</u>	<u>(5,147)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Payments for interest	(175,600)	(361,128)	(25,991)	-	-	(562,719)	-
Proceeds of fixed asset disposal	-	-	-	-	-	-	61,305
Capital debt proceeds	-	-	-	-	-	-	-
Principal payment on bonds	(572,880)	(216,156)	(160,000)	-	-	(949,036)	-
Principal payments on notes	(376,787)	(1,405,113)	-	-	-	(1,781,900)	-
Purchases of capital assets	-	(7,790)	(94,939)	-	(23,875)	(126,604)	(751,814)
Capital Contributions	-	-	-	-	-	-	-
Net cash (used) by capital financing activities	<u>(1,125,267)</u>	<u>(1,990,187)</u>	<u>(280,930)</u>	<u>-</u>	<u>(23,875)</u>	<u>(3,420,259)</u>	<u>(690,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Sale (purchase) of investments	(200,451)	(243,812)	(684,616)	62,924	92,495	(973,461)	360,823
Interest and dividends on investments	3,833	3,537	8,730	622	2,695	19,417	15,503
Net cash provided (used) in investment activities	<u>(196,618)</u>	<u>(240,275)</u>	<u>(675,886)</u>	<u>63,545</u>	<u>95,191</u>	<u>(954,044)</u>	<u>376,329</u>
Net increase in cash and equivalents	17,420	13,821	34,840	(1,570)	(106)	64,405	10,677
Cash - beginning of year	33,040	18,315	27,176	3,076	12,059	93,666	84,971
Cash - end of year	<u>50,461</u>	<u>32,136</u>	<u>62,016</u>	<u>1,510</u>	<u>11,953</u>	<u>158,073</u>	<u>95,648</u>
Cash at end of year consists of							
Operating cash	33,332	6,339	59,584	1,510	11,953	112,718	95,648
Restricted cash	17,129	25,797	2,432	-	-	45,358	-
Total cash at end of year	<u>50,461</u>	<u>32,136</u>	<u>62,016</u>	<u>1,510</u>	<u>11,953</u>	<u>158,073</u>	<u>95,648</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
	-	-	-	0	-	-	-
Operating income (loss)	837,179	858,477	620,417	(57,354)	(588,577)	1,670,141	81,388
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation	544,218	1,139,735	150,807	699	456,617	2,292,075	235,812
(Increase) decrease in accumulated I-t leave liability	(2,961)	(4,917)	5,503	(7,915)	(4,889)	(15,179)	(191)
Change in assets and liabilities:							
(Increase) decrease in accounts receivable other	(25,596)	(1,015)	239,199	(12,558)	74,028	274,058	2,086
(Increase) decrease in inventory of supplies	(12,131)	-	(17,040)	-	-	(29,171)	-
Increase (decrease) in vouchers and claims payable	(1,404)	2,003	(7,230)	(15,861)	(8,599)	(31,091)	10,905
Net cash provided (used) by operating activities	<u>1,339,306</u>	<u>1,994,283</u>	<u>991,656</u>	<u>(92,990)</u>	<u>(71,421)</u>	<u>4,160,833</u>	<u>330,000</u>
Noncash investing activities:							
Net change in fair value of investments	(2,321)	(935)	(1,728)	(196)	(766)	(5,946)	10,887

CITY OF ENUMCLAW
Statement of Net Position
Fiduciary Funds
December 31, 2012

	Private Purpose Trust Fund	Agency Fund
	Schlottfeldt Library	Deposit Holding
ASSETS		
Cash and cash equivalents	\$ 1,164	\$ 186,986
Investments at fair value	29,617	(6,796)
Receivable (net allowance for uncollectible)	-	(300)
Total assets	30,780	179,890
LIABILITIES		
Accounts payable	-	20,190
Other liabilities	-	159,700
Total liabilities	-	179,890
NET ASSETS		
Held in trust:	\$ 30,780	\$ 0

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

CITY OF ENUMCLAW
Statement of Changes in Net Assets
Private Purpose Trust Fund
For the Year Ended December 31, 2012

	Schlotfeldt Library
ADDITIONS	
Contributions:	
Other sources	186
Total contributions	<u>186</u>
DEDUCTIONS	
Supplies	<u>-</u>
Change in net assets held in trust for:	
Library purchases/stadium	186
Net Position - beginning	<u>30,594</u>
Net Position - ending	<u><u>\$ 30,780</u></u>

**Notes to the Financial Statements
December 31, 2012**

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NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

I-A REPORTING ENTITY

The City of Enumclaw was incorporated on January 27, 1913. It operates under the laws of the State of Washington applicable to a Non-Charter Code City with a mayor-council form of government.

The City is a general-purpose government and provides public safety, street improvement, parks and recreation, judicial administration, planning, economic development and general administrative services. The City owns and/or operates water and wastewater systems, natural gas utility, waste management, a golf course, a cemetery, exposition center and an aquatic facility. Effective June 1, 2012, the city library annexed into King County Library Systems. Operation of the golf course was contracted out as of April 2013.

For financial reporting purposes, in conformance with GASB 14, the City of Enumclaw considered for inclusion all governmental activities, organizations and functions for which the City is financially accountable. Relevant criteria for including an organization as a component unit within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether or not:

- The City appoints a voting majority of the organization's governing body and is able to impose its will on that organization
- There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City
- The organization is fiscally dependent on the City

The accompanying financial statements present the City and no component units.

The operations of the Enumclaw School District are essentially conducted within the City's borders. It is a separate municipal corporation and no financial interdependency exists.

I-B GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and some other items are reported as *general revenues*, not as program revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

I-C MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the

accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds report only assets and liabilities and have no measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made. Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered measurable and available only when cash is received by the City.

When both restricted and unrestricted resources are available for use, it is the City's policy to spend restricted funds only when unrestricted amounts are insufficient or unavailable.

The government reports two major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *street fund* accounts for the planning, engineering, construction and maintenance of city streets.

The government reports the following major proprietary funds:

The *water, wastewater, natural gas and solid waste funds* account for the activities of the City's four utilities. Their revenues are received from the sales of materials and supplies. Expenses are for maintenance and extension of drainage, water, wastewater and gas service systems, equipment and natural gas inventory. These funds also reflect the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds. The *exposition center fund* accounts for the activities at the King County Fairgrounds, that was donated to the City, along with other parks property, in January 2007.

Additionally, the government reports the following fund types:

Special revenue funds account for revenues derived from specific taxes, grants or other sources. They are legally restricted to financing specific activities of the City.

Debt service funds account for the resources accumulated and payments made for principle and interest and related costs on long-term general obligation debt of governmental funds.

Capital projects funds account for financial resources that are designated for the acquisition or construction of general government capital improvements.

Permanent funds account for resources that are restricted to the extent that only earnings, not principle, may be used in support of an established purpose. Activities of the fund must benefit the government or its citizenry.

Internal service funds account for equipment rental, data processing and facilities maintenance. These funds provide services to other funds of the government on a cost reimbursement basis. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds are custodial in nature and represent assets held in a trustee or agency capacity for others. These funds do not report results of operation.

- The Schlottfeldt library private purpose trust fund was established in 1963 to support the pioneer history of the City.
- The deposit holding agency fund accounts for moneys held on deposit as a performance guarantee or where the City acts as an intermediary collection agency for other governments.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charge back of services, such as utilities or vehicle maintenance and charges for central administration. The City allocates indirect cost charges as reimbursement for services provided by the general fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses. Internal service fund activity is also eliminated to avoid duplicate activity in making the transition from the fund level financial statements to the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, including those levied for specific programs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of latecomers' fees intended to recover the cost of connecting new customers to the existing system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I-D BUDGETARY INFORMATION

Scope of Budget

Annual appropriated budgets are adopted for the general, special revenue, debt service and permanent funds on a basis consistent with generally accepted accounting principles (GAAP).

Proprietary and fiduciary funds are budgeted for management purposes only. National Council on Governmental Accounting Statement No. 1 does not require and the financial statements do not present, budgetary comparisons for proprietary or fiduciary fund types.

Annual appropriated budgets are adopted at the fund level. Legal budgetary control is established at the fund level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for all funds lapse at year end.

The City's budget procedures are mandated by RCW 35A.33. On or before November 1, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months. They are balanced with revenue estimates made by the Finance Director. Council conducts public hearings on the proposed budget on or before the first Monday in December. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31. Within 30 days of adoption, the final budget

is available to the public.

Encumbrances are committed amounts for goods and services ordered or contracted. Encumbrances do not constitute expenditures or liabilities. Encumbrances lapse at year-end.

Amending the Budget

The City administrator is authorized to transfer budgeted amounts between accounts. However, any revisions that alter the total expenditures of a fund, or affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council. The City Council may determine that it is in the best interest of the City to increase or decrease the appropriation for a particular fund or department. It must do so by ordinance approved by a simple majority after first holding public meetings providing the public the opportunity to speak.

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

Deficit Fund Net Position

The Golf Fund had a negative fund balance of \$185 at year-end due to unusually low revenues that resulted from inclement weather conditions. In April 2013 the City contracted out the operation of the golf course in an effort to lower overall operational costs of the course while increasing revenues.

I-E ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Cash Equivalents

At December 31, 2012 the City was holding \$702,604 as cash and cash equivalents in various funds. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments.

2. Investments

Investments for the City are reported at fair value, based on the fair market value at fiscal year end. Investments are reported separately on the balance sheet. For purposes of the statement of cash flows, the City considers investments to be the total of the state pool, money market and agency funds. Excess cash balances of all City funds are pooled and invested. The annual change in investment balances is shown as "Interest and dividends on investments" on the statement of cash flows.

Interest income is distributed monthly to the funds based on the average daily fund balance. Interest from the deposit holding and 2003 Cole Street LTGO funds is assigned to the general fund. Interest from the LID debt service fund is assigned to the LID guaranty fund.

The primary objectives, in order of priority, of the City of Enumclaw investment activities are:

- A. **Safety:** Investments of the City will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments.
- B. **Liquidity:** The City's investments will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
- C. **Return on Investment:** The City's investments will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics.

3. *Receivables*

Property tax is recorded as a receivable when levied, offset by deferred revenue. During the year, property tax revenues are recognized when received. There is no allowance for uncollectible taxes. The City considers delinquent taxes fully collectible. Taxes are levied annually in November for the next fiscal year beginning January 1, on property values listed with the County Assessor as of May 31. The Assessor establishes assessed values at 100% of fair market value. A revaluation of all property is required by state law at least once every four years. King County began an annual revaluation program in 1995.

On January 1 of each year taxes become an enforceable lien against properties. Tax bills are mailed on February 15 and taxes are due in two equal installments on April 30 and October 31. The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed as received.

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Receivables have been recorded net of an allowance for uncollectible amounts. Allowances for uncollectible amounts are calculated as either a write-off – bad debt expense, or a write-down – reduction in service charge due to contract limit.

Interest receivable consists of amounts earned, but not received, on investments and notes and contracts at the end of the year. Notes and contracts receivable consists of amounts owed on open account from private individuals or organizations for goods and services rendered.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

4. *Amounts Due to and from Other Funds and Governments and Interfund Loans*

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “loans receivable/loans payable.” All other outstanding balances between funds are referred to as “due to/from other funds.” The balances are combined in the statements as “Interfund Receivables” or “Interfund Payables.” Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

5. *Inventories and prepaid items*

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories in proprietary funds are valued by the weighted average method, approximating market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. *Restricted Assets and Liabilities*

These accounts contain resources for construction and debt service, such as in the Enterprise funds. Certain proceeds of the Water and Wastewater fund’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets in compliance with applicable bond covenants.

7. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activity columns

in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the assets.

Major outlays for capital and improvements are capitalized as projects are constructed. Street infrastructure assets are entered into the system on a “network” basis since these assets consist of several different components of road and street construction. The project plans maintained in the Public Works Department provide details regarding these components.

All property, plant and equipment of governmental or business-type activities is depreciated using the straight line method with the following estimated useful lives:

<u>Asset category</u>	<u>Useful life (years)</u>
Buildings	45-50
Improvements other than buildings	
Infrastructure	20-75
Leasehold improvements	10-50
Other improvements	10-50
Machinery & equipment	
Information technology equipment	3-20
Equipment	3-20
Software	3-20

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. These assets are identified in the asset system as partially grant funded for tracking purposes in the event of a sale or surplus of the item. See note IV-F.

8. *Compensated absences*

It is the City’s policy to permit employees to accumulate earned but unused vacation. The City records liabilities for accumulated unused vacation leave in the appropriate funds. The related expenses are accrued when vacation time is earned and the liability reduced when vacation is taken. Vacation pay is accrued based on individual bargaining units’ agreements. Employees may earn up to a maximum of 360 hours. All accrued vacation is payable upon termination of employment. Upon retiring, contractual limitations have been imposed on PERS Plan 1 employees to limit leave payout to a maximum of 240 hours.

In accordance with the provisions of GASB No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken upon termination. Sick leave may accumulate up to a maximum of 1,056 hours. After 10 years employment, 25% of accumulated sick leave is payable upon resignation, retirement or death. For this purpose 120 hours will be the maximum paid.

9. *Long-term obligations*

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-types activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well

as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. See note IV-F.

10. Fund equity

Government-wide statements: Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

11. Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54). This Statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a. Nonspendable – Amounts that cannot be spent either because they are nonspendable in form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of constitutional or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws of regulations of other governments.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The same formal action must be taken to remove or change the limitations placed on the funds. The City Council is the highest level of decision making authority for the City.
- d. Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has granted authority to the City Manager to assign fund balance amounts.
- e. Unassigned – The residual classification for government’s general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed,

unless the City has provided otherwise in its commitment or assignment actions.

12. Minimum Fund Balance

The City has adopted a fund balance reserve policy which defines minimum fund balances for the majority of the City’s funds. In the event that the balance drops below the established minimum level, the City’s governing body will develop a plan to replenish the fund balance to the established minimum level as economic conditions allow.

13. Deferred outflows/inflows - NA

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

2-A Explanation of differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The Governmental Fund Balance Sheet includes a reconciliation sheet between fund balance - total governmental funds and net assets - governmental activities as reported in the Government-wide Statement of Net Assets. The details of this \$45,355,984 difference are shown page 4 of the financial statements.

2-B Explanation of differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities.

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the Government-wide Statement of Activities. The details of this \$1,092,764 difference are shown page 6 of the financial statements.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 – DEPOSITS AND INVESTMENTS

The City’s deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). The FDIC insures the City’s deposits up to \$100,000; the WPDPC insures amounts over \$100,000.

Total deposits and investments at December 31, 2012

Classification	Amount
Investments at fair value	\$ 12,094,585
Cash & Cash Equivalents	702,604
Total deposits and investments	\$ 12,797,189

All municipal corporations in Washington State, including the City of Enumclaw, are empowered by statute to invest in the following securities (The enabling legislation is contained in RCW 36.29.020, as amended and as limited by RCW 39.58 080, as amended, RCW’s 35.39.030, 39.59.020, 39.59.030, 39.60.010, 43.84.080 and 43.250):

- Investment deposits including certificates of deposit, with qualified public depositories as defined in Chapter 39.58 RCW.
- Obligations of the U.S. Government; U.S. Treasury Notes, Bonds and Bills (instruments with full faith and credit of the U.S. Treasury.)
- Obligations of U.S. government agencies, corporations wholly owned by the U.S. government or any Government Sponsored Enterprises (GSE's), including, but not limited to; Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Student Loan Mortgage Association (SLMA.)
- Bankers' acceptance purchased on the secondary market.
- Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- State of Washington Local Government Investment Pool.
- Other investments authorized by law.

The State Treasurer's Office administers the Washington State Local Government Investment Pool (LGIP) authorized under Chapter 43.250 RCW. The LGIP is an un-rated 2a7 like pool, as defined by GASB 31, and not registered with the SEC as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Office of the State Treasurer manages the pool with the goals of safety of principal It is a securities and exchange commission 2a7-like pool, considered extremely low risk. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

All investments are valued at fair value as of December 31, 2012. Funds in the investment pool and money market funds are reported at cost. Management intends to hold securities, bonds and certificates of deposit until maturity. With the exception of a Municipal Bond (\$1 million), which matures on 5/1/2029, all investments have a maturity of less than two years. The fair value adjustment for 2012 was a decrease of \$27,698.60 under book value.

	Investments at cost	Investments at fair value
Federal agency securities	\$ 6,002,332	\$ 5,974,633
State treasurer's investment pool	6,119,953	6,119,953
Total investments at 12/31/2012	\$ 12,122,284	\$ 12,094,586

NOTE 5 - RECEIVABLES

Receivables as of year end for the City's individual major and non-major funds, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	General	Nonmajor and other funds	Water	Sewer	Gas	Waste	Expo	Total
Taxes	276,716	-	-	-	-	-	-	276,716
Accounts (net)	65,850	48,842	301,970	415,261	655,450	209,460	2,268	1,699,101
Net total receivables	\$ 342,566	\$ 48,842	\$ 301,970	\$ 415,261	\$ 655,450	\$ 209,460	\$ 2,268	\$ 1,975,817

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Special assessments not

yet due and notes and contracts receivable represent long-term debt agreements of the City. Taxes receivable are comprised of property taxes combined with utility taxes.

Deferred revenue reported in the governmental funds as of December 31, 2012

Deferred Revenue:	General	Debt Service	Total
Delinquent property taxes receivable	125,791	-	125,791
Special assessments not yet due	-	736,179	736,179
Total deferred revenue for governmental fun	\$ 125,791	\$ 736,179	\$ 861,970

NOTE 6 - PROPERTY TAXES

RCW 84.55 is the governing legislation for property tax in the State of Washington. In 1997 the RCW was modified by Referendum No. 47 which allows the "banking" of unused levy capacity. The difference between the levy increase and the allowed maximum accumulates in a "bank." Any, or all, of this bank may be added to future levies.

In November 2001 the state voters approved Initiative 747, again modifying the RCW, reducing the maximum levy increase from 6% to 1%, or the Implicit Price Deflator (IPD), whichever is less. The IPD at December 31, 2010 was .848%

The City may levy up to \$3.3758 per \$1,000 of assessed valuation for general governmental services, subject to three limitations:

- Increases in non-voted property taxes are limited to the lesser of 1% per year, or the IPD. Adjustments for new construction are excluded from this calculation. The 1% limitation may be exceeded by a "lid lift" if the levy is below the \$3.375 limit and is approved by a simple majority of the voters.
- The Washington State Constitution limits total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

The City's regular levy for 2012 was \$1.3009 per \$1,000, based on the assessed valuation of \$1,031,169,830 for a total regular levy of \$1,341,472.

NOTE 7 - CAPITAL ASSETS**Capital asset activity for the year ended December 31, 2012**

Governmental activities:	Beginning balance 1/1/12	Increases	Decreases	Ending balance 12/31/2012
Capital assets not depreciated				
Land	\$ 8,210,077	\$ -	\$ -	\$ 8,210,077
Construction in progress	881,498	102,457	195,950	788,005
Total assets not depreciated	9,091,575	102,457	195,950	8,998,082
Capital assets depreciated/depleted:				
Buildings	5,004,621	9,227	860,660	4,153,188
Improvements other than buildings	37,224,548	8,340	9,077	37,223,811
Machinery and equipment	6,758,584	1,033,603	1,283,074	6,509,113
Total assets being depreciated	48,987,753	1,051,170	2,152,811	47,886,112
Less accumulated depreciation for:				
Buildings	2,097,112	129,786	378,690	1,848,207
Improvements other than buildings	8,056,526	615,102	-	8,671,628
Machinery and equipment	4,681,289	398,089	992,311	4,087,067
Total accumulated depreciation	14,834,927	1,142,977	1,371,002	14,606,902
Total capital assets depreciated, net	34,152,826	(91,806)	781,810	33,279,210
Governmental activities capital assets, net of depreciation	<u>\$ 43,244,401</u>	<u>\$ 10,651</u>	<u>\$ 977,760</u>	<u>\$ 42,277,295</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 3,707,570	\$ -	\$ -	\$ 3,707,570
Construction in progress	28,784	10,591	28,784	10,591
Total assets not depreciated	3,736,354	10,591	28,784	3,718,161
Capital assets depreciated:				
Buildings	23,505,812	20,261	809	23,525,264
Improvements other than buildings	65,134,886	125,690	50,981	65,209,595
Machinery and equipment	3,012,667	17,682	1,368	3,028,981
Total depreciated assets	91,653,365	163,634	53,158	91,763,841
Less accumulated depreciation for:				
Buildings	6,020,137	674,466	-	6,694,603
Improvements other than buildings	13,130,135	1,447,782	10,474	14,567,443
Machinery and equipment	964,085	169,853	8,914	1,125,024
Total accumulated depreciation	20,114,357	2,292,100	19,388	22,387,069
Total capital assets depreciated net of accumulated depreciation	71,539,008	(2,128,467)	33,770	69,376,772
Total business-type activities capital assets	<u>\$ 75,275,362</u>	<u>\$ (2,117,876)</u>	<u>\$ 62,554</u>	<u>\$ 73,094,933</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 45,742	Water	\$ 544,218
Security of Persons & Property	181,755	Wastewater	1,139,735
Economic Environment	1,437	Natural Gas	150,807
Transportation	466,942	Solid Waste	723
Culture & Recreation	213,424	Expo Center	\$456,617
Internal Service	233,678		<u>\$ 2,292,100</u>
Total depreciation expense	<u>\$ 1,142,977</u>		

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Loans between funds are classified as interfund loans receivable and payable on the statement of net assets. Loans between funds must be authorized by City Council. All loans are authorized with specific repayment terms at a reasonable interest rate.

Interfund balances at December 31, 2012

	Interfund loans receivable	Interfund loans payable
LID		\$ 148,084
Water		\$ 300,000
Wastewater		\$ 600,000
ER&R	\$ 1,048,084	
Total Government Wide	\$ 1,048,084	\$ 1,048,084

The interfund loan receivable and payable balances shown above include amounts from three loans:

- ER&R \$160,000 loan to YBARS LID fund in 2011. Principle payment due annually throughout the life of the LID.
- ER&R \$600k loan to Wastewater to be paid in full by 2015.
- ER&R \$300,000 loan to Water Fund in 2011, principle to be paid in full by 2014.

Transfers in/out include transfers to support the operations of other funds, contributions to the capital of enterprise or internal service funds and transfers to establish or reduce working capital in funds. All transfers made during 2012 were routine and consistent with the activities of the funds making the transfer. At year-end Property Management, Library, and Cemetery Funds had been combined into the General Fund.

The City made \$800,674 in transfers between the Water, Wastewater, and Revenue Bond Fund which are rolled up for financial statement presentation. The City eliminated these transfers so that the statements would not be overstated.

	Transfers	
	In	Out
General Fund	\$ 50,057	\$ 644,070
Property Management Funds	-	350,000
Street Fund	414,820	-
Lodging Tax Fund	-	5,750
Library Fund	350,000	-
Real Estate Excise Tax Funds	-	263,607
Cemetery Fund	9,227	-
Impact/Mitigation Fee Fund	-	36,345
Pool Fund	120,000	-
Golf Fund	60,000	-
Limited GO Fund	66,000	-
Equipment Rental	39,250	-
Data Processing Fund	199,645	-
Cemetery Endowment Fund	-	9,227
	<u>\$ 1,308,999</u>	<u>\$ 1,308,999</u>

NOTE 9 - LONG-TERM LIABILITIES**General obligation bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$3,294,500. \$1.5 million of this debt is in the Natural Gas enterprise fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds. General obligation bonds are created by a 60% majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council and normally financed from general fund revenues.

General Obligation Bonds Currently Outstanding & Debt Service to Maturity

Name of issuance	Purpose	Issue date	Maturity date	Interest rates	Debt outstanding
2003 LTGO Cole St	Governmental activities	05/22/03	06/01/18	3.60%	\$ 327,056
2005 LTGO Gas	Business-type	08/01/05	08/01/15	3.50%	510,000
Total general obligation bonds					\$ 837,056

Year ending December 31	Governmental activities			Year ending December	Business-Type activities		
	Principal	Interest	Total requirements		Principal	Interest	Total requirements
2013	54,772	11,038	65,810	2013	165,000	17,850	182,850
2014	56,770	9,039	65,810	2014	170,000	12,075	182,850
2015	58,842	6,968	65,809	2015	175,000	6,125	182,075
2016	60,989	4,821	65,810	2016			181,125
2017	63,214	2,595		2017			
2018-2020	32,468	436	32,904	2018-2020	-	-	-
Total	\$ 327,055	\$ 34,896	\$ 296,143	Total	\$ 510,000	\$ 36,050	\$ 728,900

Notes payable

No outstanding notes payable are due as of 12/31/2012.

Government loans

In 2008 the City drew loan funds for public work trust fund construction loan agreements with the State Department of Community Development and drinking water loans through the Environmental Protection Agency. Loans for governmental activity purposes are financed through the street fund and loans for business-type activity purposes are financed through the water and wastewater funds.

The wastewater fund also has contractual debt owed to the Washington State Department of Ecology. The original amount of the loan was for \$326,663 for effluent disinfection.

Name of issuance	Purpose	Issue date	Maturity date	Interest rates	Debt outstanding
Railroad St PWTF loan	Governmental activities	10/20/95	10/20/14	1.00%	\$ 9,199
Roosevelt Ave PWTF loan	Governmental activities	11/11/96	07/01/16	1.00%	123,127
Water - Waterline Replace PWTF loan	Business-type activities	04/22/98	07/01/18	1.00%	2,260,725
Water - Y Bar SA Acquisition	Business-type activities	10/01/09	10/01/29	1.50%	618,362
Sewer - Expansion PWTF loan	Business-type activities	09/15/03	09/15/23	0.50%	17,440,237
Total other general obligation debt					\$ 20,451,650

Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total requirements	Principal	Interest	Total requirements
2013	35,381	1,323	36,704	1,820,548	113,139	1,933,687
2014	35,381	969	36,350	1,820,548	102,228	1,922,776
2015	30,782	616	31,397	1,820,548	96,338	1,916,885
2016	30,782	308	31,089	1,820,548	84,969	1,905,517
2017				1,820,548	73591.25	1,894,139
2018-2022				7,595,590	219,966	7,815,556
2023-2027				3,582,346	45,683	3,628,029
2028	-	-	-	38,648	580	39,227
Total	\$ 132,325	\$ 3,215	\$ 135,540	\$ 20,319,323	\$ 736,494	\$ 21,055,817

Special assessment bonds

The City also issues special assessment debt to provide funds for the construction of water and Wastewater utilities in residential areas without existing infrastructure. Special assessment bonds are created by ordinance, adopted by council and financed by assessment on property owners. Debt service requirements for LID assessment bonds are met by assessments levied against property owners. The City has no financial obligation for defaults by property owners on special assessment debt, except for insuring the funding of the guaranty fund. The assessments are liens against the property and subject to foreclosure.

Special assessment bonds currently outstanding

Name of issuance	Purpose	Issue date	Maturity date	Interest rates	Debt outstanding
LID 201 Cole Street	Governmental activities	09/08/04	04/12/16	2.85%	\$ 18,051
LID 101 Warner Avenue	Governmental activities	02/01/06	02/01/18	4.20%	\$ 96,259
Total special assessment debt					\$ 114,310

Special assessment bonds are serial bonds but are called “yearly based on assessments received.” As of December 31, 2012 the City has called bonds ahead of the estimated schedule of redemption. The YBARS LID is a combination of a Drinking Water State Revolving Loan and an interfund investment.

Estimated annual debt service requirements to maturity

Year ending	Governmental activities		
	Principal	Interest	Total requirements
2013	30,187	2,876	33,063
2014	28,711	1,730	30,441
2015	28,711	1,500	30,211
2016	26,702	713	27,415
Total	\$ 114,311	\$ 6,819	\$ 121,130

Capital Lease

The City has entered into a lease agreement for financing several pieces of golf course grounds maintenance equipment. The lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at present value of its future lease payments as of the inception date.

<u>Asset</u>	<u>Governmental</u>	<u>Governmental activities</u>			
		<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total requirements</u>
Golf Grounds Equipment	298,740.00	2013	62,007	4,937	66,944
Less Accumulated Depreciation	93,555.46	2014	65,003	1,940	66,943
Total	205,184.54	2015	5,557	22	5,579
		Total	\$ 132,567	\$ 6,898	\$ 139,466

Revenue bonds

The City also issued bonds where the government pledged income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council and financed from enterprise fund revenues. The original amount of revenue bonds issued was \$10,340,000. The water/wastewater revenue bonds are issued to finance capital projects.

Revenue bonds currently outstanding

<u>Name of issuance</u>	<u>Purpose</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rates</u>	<u>Debt outstanding</u>
2005 Water/Sewer Refund	Business-type activities	06/30/05	09/01/17	2.60%-4.00%	3,380,000
2005 Water/Sewer Refund	Business-type activities	02/01/11	09/01/30	2.00%-4.50%	5,460,000
Total revenue bonds outstanding					\$ 8,840,000

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total requirements</u>
2013	845,000	376,813	1,221,813
2014	870,000	348,975	1,218,975
2015	905,000	316,375	1,221,375
2016	935,000	225,275	1,160,275
2017	975,000	247,425	1,222,425
2018-2022	1,160,000	924,825	2,084,825
2023-2027	2,150,000	680,000	2,830,000
2028-2030	1,000,000	150,000	1,150,000
Total	\$ 8,840,000	\$ 3,269,688	\$ 12,109,688

To service revenue debt, \$629,206 is available in the Revenue Bond Reserve Fund as of December 31, 2012.

Water and Wastewater revenue bond covenants require that revenue available for debt service (*defined as operating and non-operating revenues less expenses requiring payment to outside entities*) exceed the annual debt payment of both principle and interest by a ratio of 1.25 times the maximum annual debt service. There are numerous limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Summary of Long-Term Liabilities for the year ending December 31, 2012

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 379,900	\$ -	\$ 52,844	\$ 327,056	\$ 54,772
Special assessment bonds	<u>137,130</u>	<u>-</u>	<u>22,819</u>	<u>114,311</u>	<u>32,381</u>
Total bonds payable	517,030	-	75,663	441,367	87,153
Capital Lease	191,714	-	59,148	132,566	62,007
Government loans	167,706	-	35,381	132,325	35,381
Compensated absences	789,215	74,011	-	863,226	269,300
Governmental activities long-term liabilities	<u>1,665,665</u>	<u>74,011</u>	<u>170,192</u>	<u>1,569,484</u>	<u>453,841</u>
Business-type activities					
Bonds payable:					
Revenue bonds	9,640,000	-	800,000	8,840,000	845,000
Less deferred amounts for issuance discounts:	23,076	33,191	18,405	37,862	-
GO Bonds	670,000	-	160,000	510,000	165,000
Total bonds payable	<u>10,333,076</u>	<u>33,191</u>	<u>978,405</u>	<u>9,387,862</u>	<u>1,010,000</u>
Government loans	22,140,093	-	1,820,335	20,319,758	1,820,335
Compensated absences	<u>284,038</u>	<u>-</u>	<u>15,180</u>	<u>268,858</u>	<u>88,723</u>
Total business-type activities long-term liabilities	<u>\$ 32,757,207</u>	<u>\$ 33,191</u>	<u>\$ 2,813,920</u>	<u>\$ 29,976,478</u>	<u>\$ 2,919,058</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities are included as part of the above totals for governmental activities. At year end \$47,165 of internal service fund compensated absences are included in the above amounts.

Compensated absences are liquidated by the applicable fund for both governmental and business-type activities.

All bond issues comply with arbitrage regulations as monitored by the Finance Department and outside counsel.

NOTE 10 – OTHER INFORMATION**10-A Risk management**

The City of Enumclaw is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 145 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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

The City of Enumclaw has a \$1 thousand deductible for autos and \$25 thousand for all other property. All funds of the City participate in the self-insurance programs and make payments to the self-insurance fund. Payments are based on estimates of the amounts needed to pay excess insurance and related risk management and service costs, prior and current year claims paid in the current year and to maintain adequate reserves for catastrophic losses in a given year. There were no reductions in insurance coverage from the prior year.

The City pays into the State of Washington workers compensation plan according to the employee class rating factor and the hours worked. An AWC premium plan also provides eligible employees with benefits for medical, dental, vision and the employee assistance program.

10-B Contingencies

There are no claims against the City that would result in an adverse monetary judgment against the City.

10-C Interlocal agreements

King County Fire Protection District No. 28

The City of Enumclaw and King County Fire Protection District No. 28 (KCFD 28) have an agreement to provide dispatch services to the fire district.

10-D Employee retirement systems and pension plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing multiple-employer defined benefit public employee retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a comprehensive annual financial report containing historical trend information and may be obtained from the Department of Retirement Systems, Administrative Services Division, P.O. Box 48380, Olympia, WA 98504. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

The Washington State Legislature regulates all of the pension plans for the City. They act based on recommendations from the Legislature's pension committee. The DRS administer the pension plans for the City.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan description:

PERS is a cost sharing multiple employer defined benefit pension plan with an option for a defined contribution component in Plan 3. Membership in the plan includes:

- elected officials
- state employees
- employees of the Supreme, Appeals and Superior courts (other than judges in a judicial retirement system)
- employees of legislative committees
- college and university employees not in national higher education retirement programs
- judges of district and municipal courts
- non-certified employees of school districts
- employees of local government

The PERS system includes three plans. Participants, who joined the system prior to September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2 or Plan 3. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service. The defined benefits portion of Plan 3 is vested depending on years of service and age, but the minimum is five years of service.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2% of the highest average 24 consecutive months of compensation per year of service, capped at 60%. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3% annually.

Plan 2 members may retire at age 65 with five years of service, or they may choose to retire at age 55 with 20 years of service. The annual pension is 2% per year of service of the highest average 60 months of compensation. Plan 2 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually.

Plan 3 has a dual benefit structure. Member contributions finance a defined contribution component and employer contributions finance a defined benefit component.

The member-financed, defined contribution component provides an investment program the employee can access any time he/she separates from covered employment. The amount of retirement income generated by the defined contribution component depends on how much is contributed and the performance of investments.

The employer-financed, defined benefit component provides for a lifetime monthly benefit at age 65 or a reduced lifetime monthly benefit as early as age 55. Reduction factors vary based on the number of service credit years and age. The benefit amount is based on years of service credit and the retiree's average final compensation. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually.

For Plans 1, 2 and 3, the pay out options chosen by the retiree could affect the defined benefit amount.

Funding policy:

The State Pension Funding Council sets Plan 1 employer contribution rates, as required, to fully amortize the total costs of the plan. Employee contribution rates for Plan 1 are established by statute at 6% and do not vary. The employer and employee contribution rates for Plans 2 and 3 are set by the director of the DRS based on recommendations by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by state law. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

**Required contribution rates, as a percentage of current year covered payroll
December 31, 2012**

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%	7.21%	7.21%
Employee	6.00%	4.64%	***

*Employer rates include employer administrative expense fee currently 0.16%.

**Plan 3 defined benefit portion only.

***Variable from 5% minimum to 15% maximum based on rate selected by Pers 3 member.

City's required contributions for the year ending December 31, 2012

	PERS Plan 1	PERS Plan 2	PERS Plan 3	
	12491	282,009	18,674	2012
	11,526	243,944	15,076	2011
	11,638	212,718	14,918	2010
	15,851	307,745	20,229	2009

Both the City and the employees made the required contributions.

Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Plans 1 and 2

Plan description:

LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated, local law enforcement officers and fire fighters. LEOFF is comprised solely of non-state employees.

The LEOFF system includes two plans. Participants who joined the system prior to September 30, 1977 are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions, investing earnings and state contributions. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of 5 years of eligible service.

Plan 1 members are eligible to retire with 5 years of service at age 50. The benefits per year of service, with a cost-of-living allowance capped at 3% annually, are as follows:

Term of service	Percent of final average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

Funding policy:

LEOFF employer and employee contribution rates are established by statute at 6%. State contribution rates for Plan 1 are set by the Pension Funding Council to fully amortize the total costs of the plan. Employer, employee and state contribution rates for Plan 2 are set by the director of the DRS based on recommendations by the Office of the State Actuary to continue to fully fund the plan. All employers are required to contribute at the level required by state law. The methods used to determine the contribution rates are established under statute in accordance with Chapters 41.26 and 41.45 RCW.

**Required contribution rates, as a percentage of current year covered payroll
December 31, 2012**

LEOFF Plan 2	
Employer*	5.24%
Employee	8.46%
State	3.38%

**Employer rate includes employer administrative expense fee currently set at 0.16%.*

Required contributions for the years ending December 31, 2012

LEOFF Plan 2	
72,108	2012
72,498	2011
116,579	2010
106,868	2009

Both the City and the employees made the required contributions.

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan description:

PSERS is a retirement plan for certain public employees whose jobs contain a high degree of physical risk to their own personal safety, but who are not eligible for membership in the LEOFF system. The plan was created by the 2004 Washington State Legislature. Members of the PERS Plan 2 or 3, working in PSERS positions on or before July 1, 2006, had the irrevocable option to elect to prospectively begin PSERS membership. Current employees hired are automatically enrolled in PSERS.

Employees electing PSERS membership from PERS are dual members in both plans. Those members not choosing PSERS membership remain in PERS while they continue in their current positions.

To be eligible for PSERS, employees must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS members are eligible to retire with 5 years of service at age 65. They are eligible to retire with ten years of PSERS service credit at age 60. Early retirement is an option at age 53 with at least 20 years of service credit. A benefit reduction of 3% per year from age 60 applies.

Funding policy:

Employer and employee rates for Plan 2 are set by the director of the DRS based on recommendations by the Office of the State Actuary to continue to fully fund the plan. All employers are required to contribute at the level required by state law.

**Required contribution rates, as a percentage of current year covered payroll
December 31, 2012**

PSERS Plan 2	
Employer*	8.87%
Employee	6.36%

**Employer rate includes employer administrative expense fee currently set at 0.16%.*

Required contributions for the years ending December 31, 2012

PSERS Plan 2	
2012	23,351
2011	21,653
2010	19,713
2009	20,779

Both the City and the employees made the required contributions.

10-E Post retirement benefits other than pension benefit

In addition to pension benefits discussed above, the City of Enumclaw provides post-retirement health care benefits in accordance with the Revised Code of Washington (RCW) 41.26. These are lifetime medical care for retired LEOFF I public safety employees. Under this requirement, most coverage for eligible retirees is provided in the City's one and only employee medical insurance program. However, under authorization of the LEOFF I Disability Board, direct payment is also made for retiree medical expenses not covered by standard benefit plan provisions. There are currently seven (7) LEOFF Plan I recipients. The City finances the plan on a pay-as-you-go basis.

Cost of providing these post-retirement health care benefits in 2012 was as follows:

Medical Insurance Program Premiums	38,918.62
<i>Six (6) LEOFF I eligible for Medicare part A & B</i>	
Enumclaw Direct Medical payments	31,087.41
<i>Seven (7) LEOFF I eligible for Reimbursement of out of pocket medical expenses, Medicare Part B, prescriptions, dental, eye exams, glasses, etc. and, assisted living as determined by King County Disability Retirement Board</i>	
Total Costs	\$70,006.03

Annual OPEB Cost and Net OPEB Obligation

The City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The Actual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 25 years using closed group contribution rates. The following table shows the components of the city's annual OPEB cost for the year and the amount actually contributed to the plan. The net OPEB asset of \$95,932 is included as a non-current asset in the Statement of Net Assets. The city's percentage of annual OPEB cost contributed to the plan for 2012 is 43%.

	2009	2010	2011	2012
Actuarial Accrued Liability (AAL)	\$ 1,743,077	\$ 1,743,077	\$ 1,743,077	\$ 1,743,077
Annual Required Contribution (ARC)	\$ 162,305	\$ 162,305	\$ 162,305	\$ 162,305
Interest on Prior Year's Net Obligation	-	-	-	-
Annual OPEB Requirement	162,305	162,305	162,305	162,305
Less: City Contribution	<u>(226,055)</u>	<u>(105,213)</u>	<u>(192,801)</u>	<u>(70,063)</u>
Subtotal	(63,750)	57,092	(30,496)	92,242
Cumulative Net Obligation, PY	-	(63,750)	(6,657)	(37,153)

As of 12/31/2012, the plan was funded 100%. The ARC and the Net Obligation will be re-evaluated in 2013.

10-F Endowments

Cemetery endowment care trust fund – The fund is codified in Chapter 2.70, Section 090 of the Enumclaw Municipal Code, established in 1958 and revised by Ordinance 1879 in 1996. The City contracted out the operation of the Cemetery to Weeks Funeral Home beginning January 2010. The endowment is Fund 701.

Ten percent of the gross sale price of each cemetery plot and mausoleum niche is deposited in the fund for endowment care and upkeep of the cemetery. Public donations, endowments and bequests for the cemetery shall be deposited in the endowment fund. The principle of the trust shall be kept intact and not diminished, except it may be used in the construction of a mausoleum.

	701
REVENUES	
Operating revenues	\$ 3,185
Miscellaneous revenues	2,514
Total revenues	5,699
EXPENDITURES	
Operating expenditures	-
Transfer out	(9,227)
Net change in fund balances	(3,528)
Fund balance - beginning	411,981
Fund balance - ending	<u>\$ 408,452</u>

Richard P. Lafromboise memorial fund – The fund is codified in Chapter 2.69 of the Enumclaw Municipal Code, established by Ordinance 1565 in 1987. \$100,000 was received from the estate of Clarence B. LaFromboise, to be held in trust. The net income is to be used for such library purposes as the city council, acting as trustees for the fund, deem proper. The sums earned by this fund shall not be considered a portion of any usual budgeted items or income. A committee composed of the president of the Enumclaw library board, the mayor of Enumclaw and the president of a local bank administers the fund. Library operations are in Fund 120, the Schlotfeldt trust is Fund 621. The endowment is Fund 722.

The fund balance of the endowment funds is reflected in the governmental portion of the statement of net assets and the statement of activities as permanent funds. Washington State authorizes the spending of net appreciation on investments of endowments in RCW 24.44. Investments for the endowment funds meet the same criteria as other City funds.

	<u>621</u>	<u>722</u>	Total	Percentage
REVENUES				
Miscellaneous revenues	<u>186</u>	<u>3,584</u>	<u>3,770</u>	100%
Total revenues	186	3,584	3,770	100%
EXPENDITURES				
Operating expenditures	-	1,299	1,299	
Net change in fund balances	186	2,285	2,471	
Fund balance - beginning	<u>30,594</u>	<u>121,948</u>	<u>152,542</u>	
Fund balance - ending	\$ 30,780	\$ 124,233	\$ 155,013	

10-G Special Items

The Y BAR S asset is reported in the Water Fund; however, the debt related to this asset is reported in Fund 215. The project was funded through a combination of a low interest loan, a grant, and an LID.

10-H Prior Period Correction

A prior period correction reported in Fund 420 in 2010 of \$40,688 was entered in the financial system in period 13 of 2012.

10-I Subsequent Events

Voters approved the annexation of the City Library into King County Library Systems, effective June 1, 2012.

10-J Governmental Fund Balances

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Prepaid Expenses	9,999			9,999
Restricted for:				
Law Enforcement	95,422		148,149	243,571
Tourism			15,655	15,655
Capital Improvements			832,874	832,874
Social Services			-	-
Cemetery			532,685	532,685
Committed to:				
Economic Stabilization	968,587			968,587
Property Management	1,667,851			1,667,851
Assigned to:				
Parks & Recreation			26,628	26,628
Unassigned:				
	<u>1,379,880</u>	<u>42,437</u>	<u>164,068</u>	<u>1,586,385</u>
Total Fund Balances	<u><u>4,121,739</u></u>	<u><u>42,437</u></u>	<u><u>1,720,059</u></u>	<u><u>5,884,232</u></u>

**Computation Of Legal Debt Margin
For The Year Ended December 31, 2012**

Total Assessed Value		\$ 1,031,169,830
Allowable General Purpose Indebtedness (Legal Limit 2.5% Of Taxable Property Value)		<u>\$ 25,779,246</u>
A. General Purpose Indebtedness Without A Vote (Legal Limit 1.5%)	<u>15,467,547</u>	
Indebtedness (Liabilities):		
GO Bonds	327,056	
Others	-	
Less Assets Available	<u>(108,956)</u>	
Indebtedness Incurred - Section A	218,100	<u>218,100</u>
Indebtedness Margin - Section A		<u>15,249,447</u>
B. Capital Lease Without A Vote (Legal Limit 1.5%)	<u>15,467,547</u>	
Capital Leases Payable	\$132,567	
Less Assets Available	<u>-</u>	
Indebtedness Incurred - Section B		<u>132,567</u>
Indebtedness Margin - Section B		<u>15,334,980</u>
C. General Purpose Indebtedness With A Vote (Legal Limit 2.5%)		
Indebtedness (Liabilities):		
GO Bonds	-	
Others	-	
Less Assets Available	<u>-</u>	
Indebtedness Incurred - Section C	<u>-</u>	
Indebtedness Margin - Section C		
Less: Indebtedness Incurred - General Purposes		<u>25,428,579</u>
Margin of Indebtedness Available - General Purposes		<u>25,779,246</u>
Allowable Indebtedness For Utility Purposes With 3/5 Vote (Legal Limit 2.5%)		25,779,246
Allowable Indebtedness For Open Space And Parks Facilities With 3/5 Vote (Legal Limit 2.5%)		25,779,246
Total Indebtedness Allowable (Legal Limit 7.5%)		<u>77,337,737</u>
Less: Indebtedness Incurred - General Purposes		<u>(572,254)</u>
Margin of Indebtedness Available		<u>\$ 76,765,483</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Total	Foot-note Ref.
Pass-Through WA State Department of Transportation:					
US Department of Transportation Federal Highway Administration	Highway Planning and construction	20.205		\$47,108	2
Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM07-952-047	\$618,576	3
US Dept of Justice	Bulletproof Vest Partnership	16.607		\$4,069	
Pass-Through WA State Department of Military:					
US Homeland Security	Federal Emergency Management Assistance	97.XXX	D12-155	\$77,418	
Total Federal Awards Expended				<u>\$669,753</u>	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual 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.

NOTE 3– FEDERAL LOANS

The City was approved by the EPA for a loan of \$730,248. The amount listed is the outstanding loan balance from prior years for which there are continuing compliance requirements. The loan is also reported on the City's Schedule of Long-Term Debt.

NOTE 4– AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.