



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

### City of Enumclaw

King County

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

Published September 30, 2015

Report No. 1015240





## Washington State Auditor's Office

September 30, 2015

Mayor and City Council  
City of Enumclaw  
Enumclaw, Washington

### **Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

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

## TABLE OF CONTENTS

Federal Summary .....	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards .....	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	8
Independent Auditor’s Report On Financial Statements .....	11
Financial Section.....	14
About The State Auditor’s Office.....	77

## FEDERAL SUMMARY

### City of Enumclaw King County January 1, 2014 through December 31, 2014

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

#### Financial Statements

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

#### Internal Control Over Financial Reporting:

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

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

#### Federal Awards

#### Internal Control Over Major Programs:

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

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

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

## Identification of Major Programs:

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

<u>CFDA No.</u>	<u>Program Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Enumclaw  
King County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Enumclaw  
Enumclaw, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Enumclaw, King County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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



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

September 25, 2015

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

**City of Enumclaw  
King County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Enumclaw  
Enumclaw, Washington

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

September 25, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Enumclaw King County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 14.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street and Transportation Benefit District 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 15 through 26 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.

### *Supplementary and Other Information*

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

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

September 25, 2015

## FINANCIAL SECTION

**City of Enumclaw  
King County  
January 1, 2014 through December 31, 2014**

### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual GAAP Basis – General Fund – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual GAAP Basis – Street Fund – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual GAAP Basis – Transportation Benefit District – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Net Position – Fiduciary Funds – 2014

Statement of Changes in Net Position – Fiduciary Funds – 2014

Notes to the Financial Statements – 2014

### SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Enumclaw presents this discussion and analysis as part of the City's financial activities for the fiscal year ending December 31, 2014. The information presented should be read in conjunction with the financial statements and the notes to the financial statements that follow.

**Financial Highlights**

- The assets and deferred outflows of resources of the City of Enumclaw exceeded its liabilities at the close of the most recent fiscal year by \$100,178,085. Of this amount, \$10,142,622 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Enumclaw's total net position increased slightly by \$119,400 due to improvements in the local, state and national economies.
- At the close of the current fiscal year, the City of Enumclaw's governmental funds reported combined fund balances of \$5,546,979, a decrease of \$47,269 in comparison with the prior year. Approximately 27% of this amount (\$1,519,977) is available for spending at the government discretion.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$3,487,370, or approximately 45% of total general fund expenditures.
- The City of Enumclaw's total outstanding debt decreased by \$2,974,720 during the current fiscal year because of annual principal payments.

**Overview of the Financial Statements:** The discussion and analysis provided here serves as an introduction to the City of Enumclaw's basic financial statements. The City of Enumclaw's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Enumclaw's financial condition in a manner similar to private sector business.

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

The **statement of activities** presents information showing how the City of Enumclaw's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Enumclaw that are principally supported by taxes and intergovernmental revenues (governmental activities) 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 governmental activities of the City of Enumclaw include general government, public safety, streets, and culture and recreation. The business-type activities of the City of Enumclaw include Water, Wastewater, Natural Gas, Solid Waste, and the Exposition Center.

The government-wide financial statements include not only the City of Enumclaw itself, but also a legally separate Transportation Benefit District (TBD) for which the City of Enumclaw is financially accountable. The TBD, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

**Fund Financial Statements** A Fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Enumclaw, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Enumclaw can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The City of Enumclaw maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, street fund, and TBD fund, which are considered major funds. Data from the remaining governmental funds are combined into a single aggregated presentation.

The City of Enumclaw adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the general, street, and TBD funds (major funds) to demonstrate compliance with this budget.

**Proprietary Funds.** The City of Enumclaw maintains nine different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Enumclaw uses enterprise funds to account for its Water, Wastewater, Natural Gas, Solid Waste, Revenue Bonds and Exposition Center operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the cities various functions. The City of Enumclaw uses

internal service funds to account for the management of its vehicle fleet, data processing, and risk management. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City. Conversely, the three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The revenue bond fund is combined with the Water and Wastewater Funds for financial presentation.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City of Enumclaw's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The city maintains two types of fiduciary funds. The private purpose trust fund is used to report resources held in trust for the maintenance of the historical library collection. The agency fund reports deposits held by the City of Enumclaw in a custodial capacity for individuals and private organizations.

**Notes to the Financial Statements.** The notes provide additional information essential that is necessary to acquire a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Enumclaw, assets and deferred outflows of resources exceeded liabilities by \$100,178,085, at the close of the most recent fiscal year.

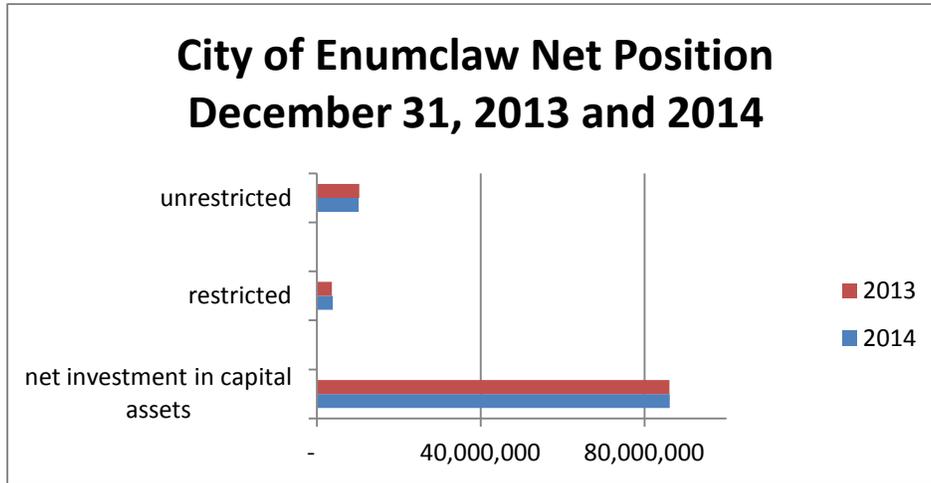
**Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current & other assets	\$ 10,526,164	\$ 10,789,943	\$ 7,271,545	\$ 6,701,758	\$ 17,797,709	\$ 17,491,701
Capital Assets	40,828,934	42,296,636	69,736,050	71,175,691	110,564,984	113,472,327
Total assets	51,355,098	53,086,579	77,007,595	77,877,448	128,362,693	130,964,029
Total deferred inflows of resources	-	-	-	-	-	-
Current liabilities						
outstanding	1,017,232	1,034,635	4,782,633	4,625,053	5,799,865	5,659,688
Other Liabilities	1,048,669	1,021,959	21,336,074	24,223,693	22,384,743	25,245,652
Total liabilities	2,065,901	2,056,594	26,118,707	28,848,746	28,184,608	30,905,341
Net position:						
Net investment in capital assets						
assets	40,499,911	41,775,572	45,672,335	44,284,898	86,172,246	86,060,470
Restricted	2,689,395	2,481,284	1,173,822	1,166,437	3,863,217	3,647,721
Unrestricted	6,099,891	6,773,129	4,042,731	3,577,365	10,142,622	10,350,494
Total net position	\$ 49,289,197	\$ 51,029,985	\$ 50,888,888	\$ 49,028,703	\$ 100,178,085	\$ 100,058,688

By far, the largest portion of the City of Enumclaw's net position (86%) reflects its investment in capital assets (e.g., land, buildings, improvements and machinery & equipment), less any related outstanding debt that was used to acquire those assets. The City uses the capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investments in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Enumclaw's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,142,622 is unrestricted and may be used to meet the government's obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business type activities. The same situation held true for the prior fiscal year.



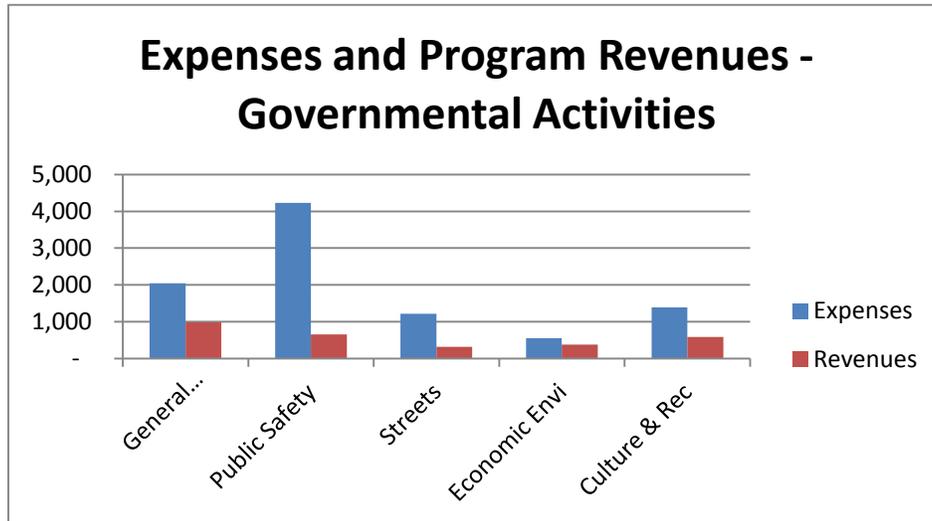
However, the City of Enumclaw’s overall net position increased by \$119,397 from the prior fiscal year. The reasons for this increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.**

During the current fiscal year, net position for governmental activities decreased \$1,740,788 from the prior fiscal year for an ending balance of \$49,289,197. The current recession has had an impact on the city through reduced revenues and increased expenses. The loss of state shared revenues in liquor sales and profits has had a direct affect on the city, as well as the 1% property tax cap that does not keep pace with the rate of inflation. In 2015 the City Council passed an ordinance to use banked property tax to close the gap between operating revenues and expenditures in the General Fund.

**City of Enumclaw's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<i>Program revenues</i>						
Charges for services	\$ 2,330	\$ 2,124	\$ 13,536	\$ 13,660	\$ 15,866	\$ 15,784
Operating grants and contributions	190	193	397	162	587	355
Capital grants and contributions	391	796	0		391	796
<i>General revenues:</i>						
Property taxes	1,423	1,391			1,423	1,391
Other taxes	4,547	4,252			4,547	4,252
Grants and contributions not restricted to specific programs	-	-			-	-
Other	89	13			89	13
<i>Total revenues</i>	<u>8,970</u>	<u>8,769</u>	<u>13,933</u>	<u>13,822</u>	<u>22,903</u>	<u>22,591</u>
<b>Expenses:</b>						
General government	2,048	1,639			2,048	1,639
Public Safety	4,231	3,828			4,231	3,828
Streets	1,215	1,094			1,215	1,094
Economic Environment	549	446			549	446
Culture and recreation	1,390	1,651			1,390	1,651
Interest on l-t debt	3	18			3	18
Water			2,167	2,259	2,167	2,259
Wastewater			2,971	2,988	2,971	2,988
Natural Gas			3,923	3,942	3,923	3,942
Solid Waste			2,034	2,023	2,034	2,023
Expo Center			996	1,047	996	1,047
<i>Total Expenses</i>	<u>9,436</u>	<u>8,676</u>	<u>12,091</u>	<u>12,259</u>	<u>21,527</u>	<u>20,935</u>
Increase (decrease) in net position before transfers	(466)	93	1,842	1,563	1,376	1,656
Transfers	(361)	(40)	360	39	(1)	(1)
Contributions & Misc	(913)	(205)	(394)	(533)	(1,307)	(738)
Increase (decrease) in net position	<u>(1,740)</u>	<u>(152)</u>	<u>1,808</u>	<u>1,069</u>	<u>68</u>	<u>917</u>
<i>Net position-beginning</i>	<u>51,030</u>	<u>51,240</u>	<u>49,029</u>	<u>47,921</u>	<u>100,059</u>	<u>99,161</u>
Prior period adjustment		(59)	52	39	52	(20)
<i>Net position-ending</i>	<u>\$ 49,290</u>	<u>\$ 51,029</u>	<u>\$ 50,889</u>	<u>\$ 49,029</u>	<u>\$ 100,179</u>	<u>\$ 100,058</u>



**Business-type Activities**

Net position increased by \$1.86 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 \$124 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 32% 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.

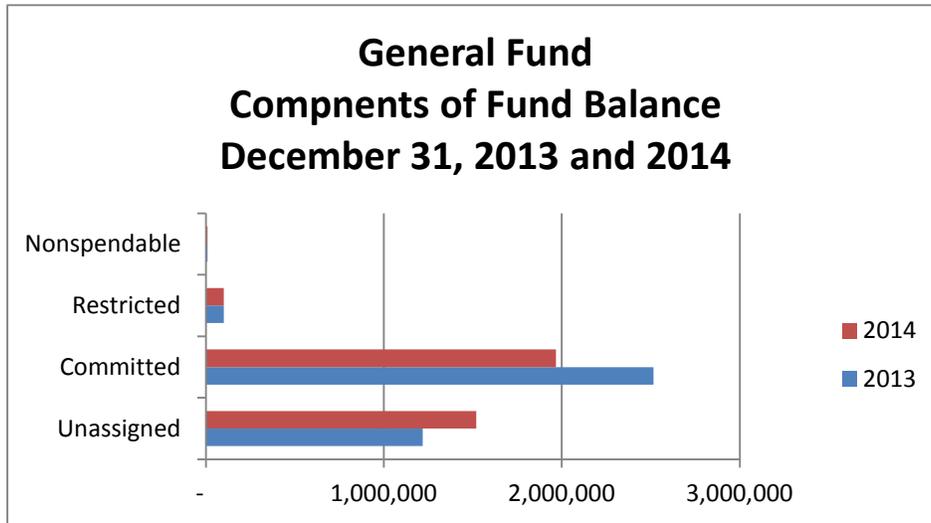
**Financial Analysis of the Government’s Funds**

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

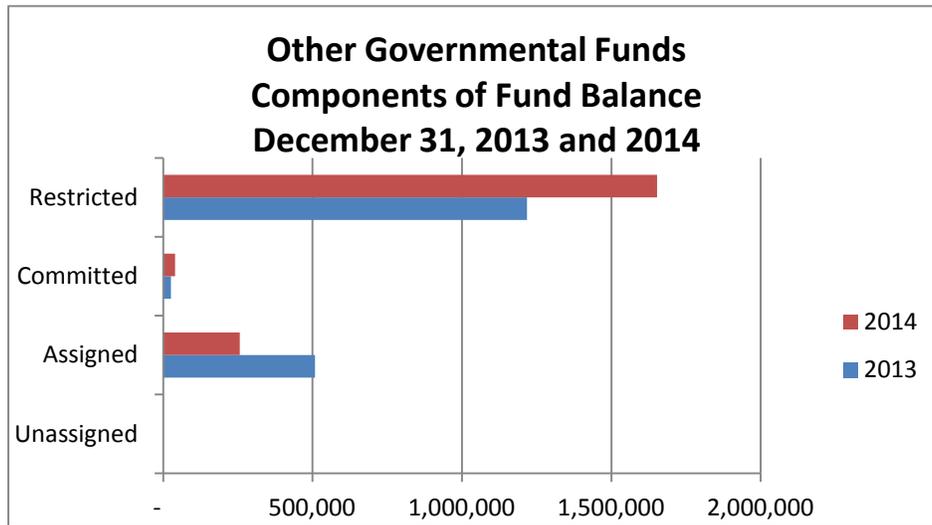
**Governmental Funds**

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, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Enumclaw’s Council.

At December 31, 2014 the City’s governmental funds reported combined fund balances of \$5,546,979, a decrease of \$47,269 in comparison with the prior year. Approximately 27% of this amount (\$1,519,977) constitutes unassigned fund balance, which is available for spending at the city’s discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form(\$9,999), 2) restricted for particular purposes (\$1,753,376), 3) committed for particular purposes (\$2,007,076) or 4) assigned for particular purposes (\$256,551).



The general fund is the chief operating fund of the City of Enumclaw. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,519,977, while total fund balance decreased to \$3,597,369. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 20% of total general fund expenditures, while total fund balance represents approximately 47% of that same amount.



Taxes are the most significant source of governmental revenues, representing 66% of total governmental operating revenues and 69% 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. Although taxes have not reached pre-recession levels, the City has experienced an upswing of approximately 5% across all tax revenues.

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 2014 for these two funds totaled \$239 thousand, an increase of \$96 thousand from 2013. In recent years REET dollars have been used for grant matching funds and small capital projects.

*Expenditures*

Public safety (police) comprise 53% of general fund expenditures. General government services are typically overhead in nature, providing management, accounting, legal, personnel and technical services required by operating programs. They comprised 22% of total expenditures, up 4% from 2013. Cultural services include the parks and recreation programs, the pool, and cemetery. They represent another 14% of expenditures. Capital expenditures comprise 4% of governmental expenditures in 2014, a 5% decrease due to a delay in Street projects. The City did complete a remodel of the Senior Center in 2014; as well as, removing trees and improving pathways at McFarland Park.

The Street Fund was reported as a major fund due to the expenditures incurred for annual pavement maintenance and capital projects such as 410 Channelization and Semanski Street Overlay. 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 position of the proprietary funds at year-end amounted to \$4 million. Total growth in net position for these funds was \$1.9 million, mainly due to overall cost savings.

**General Fund Budgetary Highlights**

For 2014, the final general fund budget was \$8.67 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 \$219 thousand over the final budget. Actual operating expenditures were \$198 thousand under final budget amounts, the result of cost-cutting measures implemented early in 2014 by City Administration.

**Final budget compared to actual results.** The most significant differences between estimated revenues and actual revenues were as follows:

Revenue Source	Estimated Revenues	Actual Revenues	Differences
Licenses & Permits	\$ 241,000	\$ 291,460	\$ 50,460
Sales & Use Tax	1,950,000	2,103,305	153,305
Charges for services	1,553,129	1,643,801	90,672
Property Tax	1,370,176	1,407,388	37,212

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2014, the City had invested \$113 million (net of depreciation) in a wide range of capital assets throughout governmental and business-type activities. More detailed information about the City’s capital assets is presented in Note 4-D to the financial statements.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 8,210	\$ 8,210	\$ 3,708	\$ 3,708	\$ 11,918	\$ 11,918
Buildings	2,057	2,192	15,487	16,158	17,544	18,350
Improvements	28,418	28,756	48,255	49,506	76,673	78,262
Machinery	1,864	2,337	1,605	1,734	3,469	4,071
Construction in Progress	279	802	681	69	960	871
Total	\$ 40,828	\$ 42,297	\$ 69,736	\$ 71,175	\$ 110,564	\$ 113,472

Major capital asset events during the current fiscal year included the following

- The City migrated the capital asset information from AMSI to EDEN software. During this process the city performed a complete inventory and removed unused, obsolete assets that remained in the records.
- The City received grants to make improvements at the Senior Center and McFarland Park.

**Long-term Liabilities**

At year-end, City outstanding liabilities, including compensated absences, had decreased 12%. More detailed information about the City’s long-term liabilities is presented in Notes 4-H of the financial statements notes.

The City of Enumclaw’s current revenue bond rating from Standard and Poor’s is ‘AA-’ for bonds issued prior to 2014.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 216	\$ 272	\$ 175	\$ 345	\$ 391	\$ 617
Special Assessments	49	81	-	-	49	81
Capital Leases	3	71	-	-	3	71
Revenue Bonds	-	-	7,125	7,995	7,125	7,995
Governmental Loans	62	97	16,678	18,499	16,740	18,596
Compensated Absences	808	740	285	289	1,093	1,029
Total	\$ 1,138	\$ 1,261	\$ 24,263	\$ 27,128	\$ 25,401	\$ 28,389

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	\$ 980,239,382	
Allowable general purpose indebtedness (legal limit 2.5% of taxable property value)			24,505,985
Unvoted indebtedness incurred (less assets available)		106,980	
Voted indebtedness incurred (less assets available)		-	
Total debt incurred			106,980
Legally available debt capacity	-	General Purposes	24,399,005
		- Utility Purposes	24,505,985
		- Open Space & Parks Purposes	24,505,985
Total legally available debt capacity			\$ 73,410,974

**Economic Factors**

The Seattle metropolitan area is the closest statistical indicator for Enumclaw. Unemployment rate as of March 2015 for the Seattle metropolitan area was 4.6 %. The population of Enumclaw is approximately 11,479, with a change of roughly 3.3% since the year 2000. Estimated median household income is \$56,693.

In 2014 the City took the 1% property tax increase as allowed by RCW. The solid waste utility rate was increased by 2% to meet increasing disposal cost of King County, while Water and Wastewater had modest increases of 2% (based on CPI-U released for October). The Natural Gas utility did not have any increases.

**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](http://www.cityofenumclaw.net)

**CITY OF ENUMCLAW**  
**Statement of Net Position**  
**December 31, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,019,882	\$ 371,098	\$ 1,390,980
Investments	7,104,920	2,665,487	9,770,407
Receivable (net allowance for uncollectible)	176,247	1,567,413	1,743,660
Due from Other Gov't Units	244,229	-	244,229
Due from Other Funds	1,235,352	-	1,235,352
Inventories	-	172,668	172,668
Other Receivables	745,534	-	745,535
Total current assets	<u>10,526,164</u>	<u>4,776,666</u>	<u>15,302,831</u>
Noncurrent assets:			
Restricted cash	-	304,897	304,897
Investments	-	2,189,982	2,189,982
Capital assets (net of accumulated depreciation):			
Land	8,210,077	3,707,569	11,917,646
Buildings	2,057,353	15,487,065	17,544,418
Improvements	28,418,478	48,255,164	76,673,642
Machinery and equipment	1,863,858	1,605,299	3,469,157
Construction work in progress	279,168	680,953	960,121
Total noncurrent assets	<u>40,828,934</u>	<u>72,230,929</u>	<u>113,059,863</u>
Total assets	<u>51,355,098</u>	<u>77,007,595</u>	<u>128,362,694</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	157,122	516,984	674,106
Due To Other Funds	135,352	1,100,000	1,235,352
Other liabilities	338,440	171,154	509,594
Current portion:			
Bonds payable	58,842	1,080,000	1,138,842
Special assessments w/ gov't commitments	30,187	-	30,187
Long-term liabilities	30,782	1,820,548	1,851,330
Compensated absences	266,507	93,948	360,455
Total current liabilities	<u>1,017,232</u>	<u>4,782,633</u>	<u>5,799,866</u>
Noncurrent liabilities:			
Bonds payable (net of amortized discount)	156,671	6,287,433	6,444,104
Special assessments debt	18,423	-	18,423
Other L-T liabilities (OPEB, Loans, Lease)	332,483	14,857,899	15,190,382
Compensated absences	541,092	190,742	731,834
Total noncurrent liabilities	<u>1,048,669</u>	<u>21,336,074</u>	<u>22,384,743</u>
Total liabilities	<u>2,065,901</u>	<u>26,118,707</u>	<u>28,184,609</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	40,499,911	45,672,335	86,172,246
Restricted			-
Expendable			-
Capital projects	1,072,308	57,250	1,129,558
Civic and recreation	59,212	-	59,212
Debt service	787,844	1,116,572	1,904,416
Public safety	204,353	-	204,353
Nonexpendable			-
Permanent	565,678	-	565,678
Unrestricted	<u>6,099,891</u>	<u>4,042,731</u>	<u>10,142,622</u>
Total net position	<u>\$ 49,289,197</u>	<u>\$ 50,888,888</u>	<u>\$ 100,178,085</u>

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

**CITY OF ENUMCLAW**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

Functions/Program	Program Revenues			Net (Expense) Revenue Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 2,048,208	\$ 980,779	\$ -	\$ -	\$ (1,067,429)	\$ -	\$ (1,067,429)
Public safety	4,231,233	492,870	160,376	-	(3,577,987)	-	(3,577,987)
Transportation	1,215,875	22,719	-	292,224	(900,932)	-	(900,932)
Economic environment	548,977	376,424	-	-	(172,553)	-	(172,553)
Culture and recreation	1,390,212	457,517	30,000	99,015	(803,680)	-	(803,680)
Interest & other debt service costs	3,252	-	-	-	(3,252)	-	(3,252)
<b>Total governmental activities</b>	<b>9,437,757</b>	<b>2,330,309</b>	<b>190,376</b>	<b>391,239</b>	<b>(6,525,833)</b>	<b>-</b>	<b>(6,525,833)</b>
<b>Business-type activities:</b>							
Water	2,166,532	3,095,499	366,475	-	-	1,295,442	1,295,442
Wastewater	2,971,428	4,054,029	-	-	-	1,082,601	1,082,601
Natural Gas	3,923,225	4,008,271	-	-	-	85,046	85,046
Solid Waste	2,033,558	2,029,990	30,034	-	-	26,466	26,466
Expo Center	996,225	347,861	-	-	-	(648,364)	(648,364)
<b>Total business-type activities</b>	<b>12,090,968</b>	<b>13,535,650</b>	<b>396,509</b>	<b>-</b>	<b>-</b>	<b>1,841,191</b>	<b>1,841,191</b>
<b>Total primary government</b>	<b>\$ 21,528,725</b>	<b>\$ 15,865,959</b>	<b>\$ 586,885</b>	<b>\$ 391,239</b>	<b>\$ (6,525,833)</b>	<b>\$ 1,841,191</b>	<b>\$ (4,684,642)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					1,423,419	-	1,423,419
Retail Sales and Use Taxes					2,376,719	-	2,376,719
Interfund Taxes					905,439	-	905,439
Other Taxes					1,264,502	-	1,264,502
Unrestricted investment earnings					88,767	48,119	136,886
Miscellaneous					(913,072)	(442,273)	(1,355,345)
Transfers					(360,728)	360,728	-
<b>Total General Revenues, Special Items and Transfers</b>					<b>4,785,045</b>	<b>(33,426)</b>	<b>4,751,620</b>
<b>Change in Net Position</b>					<b>(1,740,788)</b>	<b>1,807,766</b>	<b>66,978</b>
<b>Net Position - Beginning</b>					<b>51,029,985</b>	<b>49,028,700</b>	<b>100,058,685</b>
Special Item					-	52,422	52,422
<b>Net Position - Ending</b>					<b>\$ 49,289,197</b>	<b>\$ 50,888,888</b>	<b>\$ 100,178,085</b>

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

**CITY OF ENUMCLAW**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

	<b>General</b>	<b>Street</b>	<b>Transportation Benefit District Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 477,483	\$ 4,207	\$ 4,356	\$ 246,359	\$ 732,405
Investments at fair value	3,209,029	30,217	31,289	1,769,523	5,040,057
Receivable (net allowance)	103,641	12,986	-	611,072	727,698
Intergovernmental receivable	244,229	-	-	-	244,229
Due From other Funds	-	-	-	-	-
Prepaid Accounts	9,999	-	-	-	9,999
Total assets	<u>\$ 4,044,380</u>	<u>\$ 47,409</u>	<u>\$ 35,645</u>	<u>\$ 2,626,954</u>	<u>\$ 6,754,388</u>
<b>LIABILITIES</b>					
Accounts payable	91,814	21,147	21	6,671	119,652
Interfund Loan Payable	-	-	-	135,352	135,352
Due to other retirement systems	-	-	-	-	-
Other liabilities	272,831	19,907	-	19,880	312,619
Total liabilities	<u>364,645</u>	<u>41,054</u>	<u>21</u>	<u>161,903</u>	<u>567,623</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	82,366	-	-	-	82,366
Unavailable Revenue - Special Assessments	-	-	-	557,419	557,419
Total Deferred Inflows of Resources	<u>82,366</u>	<u>-</u>	<u>-</u>	<u>557,419</u>	<u>639,785</u>
<b>FUND BALANCE</b>					
Nonspendable	-	-	-	-	9,999
Prepaid Expenses	9,999	-	-	-	-
Restricted					
Law Enforcement	100,000	-	-	104,353	204,353
Tourism	-	-	-	19,529	19,529
Capital Improvements	-	-	35,624	780,133	815,757
Cemetery	-	-	-	565,678	565,678
LID Debt Service	-	-	-	148,059	148,059
Committed					
Economic Stabilization	319,244	-	-	-	319,244
Property Management	1,648,149	-	-	-	1,648,149
Parks & Recreation	-	-	-	39,683	39,683
Assigned					
Parks & Recreation	-	-	-	250,196	250,196
Streets	-	6,355	-	-	6,355
Unassigned	1,519,977	-	-	-	1,519,977
Total fund balances	<u>3,597,369</u>	<u>6,355</u>	<u>35,624</u>	<u>1,907,632</u>	<u>5,546,979</u>
Total liabilities and fund balances	<u>\$ 4,044,380</u>	<u>\$ 47,409</u>	<u>\$ 35,645</u>	<u>\$ 2,626,954</u>	<u>\$ 6,754,388</u>

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

**CITY OF ENUMCLAW**  
**Reconciliation of the Balance Sheet**  
**of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2014**

**Amounts reported for Governmental Activities in the Statement of Net Position are different because:**

<b>Total Fund Balances - Governmental Funds</b>	\$ 5,546,979
Capital and other assets used in governmental activities are not financial resources and therefore not reported as assets in the funds.	39,287,866
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 position.	5,021,963
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	639,785
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 Position	178,116
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	(1,385,512)
<b>Net Position of Government Activities</b>	<b><u>\$ 49,289,197</u></b>

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

**CITY OF ENUMCLAW**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	General	Street	Transportation Benefit District Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 5,682,065	\$ 228,966	\$ 44,153	\$ 248,657	\$ 6,203,840
Licenses and permits	291,460	2,955	2,900	-	297,315
Intergovernmental revenue	289,386	60,359	-	-	349,745
Charges and services	1,643,801	14,430	-	377,676	2,035,907
Fines and forfeits	162,867	-	-	2,845	165,712
Miscellaneous revenues	107,320	2,688	(62)	202,836	312,782
Total revenues	8,176,898	309,398	46,991	832,014	9,365,301
<b>EXPENDITURES</b>					
Current:					
General government services	1,985,286	-	-	94,728	2,080,014
Public safety	4,045,363	-	-	46,587	4,091,950
Economic environment	570,607	-	-	-	570,607
Transportation	-	752,787	6,637	-	759,424
Cultural and recreation	754,982	-	-	508,676	1,263,658
Debt service:					
Redemption of general long-term debt	-	35,381	-	128,083	163,464
Interest and other debt service cost	-	969	-	27,680	28,649
Capital outlay	317,818	29,364	4,730	-	351,912
Total expenditures	7,674,056	818,501	11,367	805,754	9,309,678
Excess (deficiency) of revenues Over (under) expenditures	502,842	(509,103)	35,624	26,260	55,623
<b>OTHER FINANCING SOURCES (USES)</b>					
Other Finance Sources	-	-	-	-	-
Transfers in	24,270	482,000	-	272,291	778,561
Transfers out	(772,725)	-	-	(108,723)	(881,448)
Total other financing sources and (uses)	(748,455)	482,000	-	163,568	(102,887)
Net change in fund balances	(245,613)	(27,103)	35,624	189,828	(47,264)
Fund balances - beginning	3,842,982	33,459	-	1,717,804	5,594,245
Prior Period	-	-	-	-	-
Fund balances - ending	\$ 3,597,369	\$ 6,355	\$ 35,624	\$ 1,907,632	\$ 5,546,979

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

**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, 2014**

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Net Change in Fund Balances - total Governmental Funds	\$ (47,264)
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.	(474,682)
The net effect of various miscellaneous transactions involving capital assets (i.e. surplus and donations) is to reduce net position.	(634,959)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(92,210)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	188,560
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 (compensated absences, unbooked AR, OPEB Liability.)	(408,893)
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.	(271,338)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,740,786)</u></b>

*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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Budget Basis To GAAP Basis Differences</u>	<u>Actual GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Taxes:					
Property	\$ 1,370,176	\$ 1,370,176	\$ 1,407,388	\$ -	\$ 1,407,388
Retail sales and use	1,950,000	1,950,000	2,103,305		2,103,305
Interfund utility	931,400	923,400	905,439		905,439
Business & Occupation	1,240,500	1,248,500	1,265,933		1,265,933
Licenses and permits	224,000	241,000	291,460		291,460
Intergovernmental revenue	255,531	348,531	289,386	-	289,386
Charges for services	1,505,130	1,553,129	1,643,801	-	1,643,801
Fines and forfeits	179,000	179,000	162,867	-	162,867
Miscellaneous revenues	120,250	140,250	103,238	4,081	107,320
	-	-	-	-	-
Total revenues	<u>7,775,987</u>	<u>7,953,986</u>	<u>8,172,817</u>	<u>4,081</u>	<u>8,176,898</u>
<b>EXPENDITURES</b>					
General Government	1,818,638	1,758,698	1,985,286		1,985,286
Public Safety	3,952,526	4,070,829	4,045,363		4,045,363
Economic Environment	432,217	492,716	570,607	-	570,607
Transportation	-	-	-	-	-
Cultural & Recreation	1,063,129	1,059,054	754,982	-	754,982
Capital Outlay	321,480	490,750	317,818		
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>7,587,990</u>	<u>7,872,048</u>	<u>7,674,056</u>	<u>-</u>	<u>7,674,056</u>
Excess of revenues over (under) expenditures	<u>187,997</u>	<u>81,938</u>	<u>498,761</u>	<u>4,081</u>	<u>502,842</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Other financing sources	-	-	-		-
Transfer in	20,000	109,270	24,270	-	24,270
Transfers out	(775,064)	(799,725)	(772,725)	-	(772,725)
Total other financing sources (uses)	<u>(755,064)</u>	<u>(690,455)</u>	<u>(748,455)</u>	<u>-</u>	<u>(748,455)</u>
Net change in fund balances	(567,067)	(608,517)	(249,694)	4,081	(245,613)
Fund balance - beginning	<u>3,252,253</u>	<u>3,571,091</u>	<u>3,527,819</u>	<u>315,163</u>	<u>3,842,982</u>
<b>Prior Period</b>					
Fund balance - ending	<u>\$ 2,685,186</u>	<u>\$ 2,962,574</u>	<u>\$ 3,278,125</u>	<u>\$ 319,244</u>	<u>\$ 3,597,369</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:

<b>Special Revenue Funds - Budget Basis</b>	<b>Net Changes in Fund</b>	
	<b>Contingency Fund</b>	<b>Balance Budget Basis to GAAP Basis</b>
Revenues	\$ 4,081	\$ 4,081
Expenditures	-	-
Other Financing Sources (Uses), Net	-	-
Net Change in Fund Balance	4,081	4,081
Fund Balance - Beginning of Year	315,163	314,399
Fund Balance - End of Year	<u>\$ 319,244</u>	<u>\$ 319,244</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**  
**Street Fund**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenue	881,440	795,282	289,325	(505,957)
Charges for services	2,000	2,000	14,430	12,430
Miscellaneous revenues	2,000	2,000	5,643	3,643
Total revenues	<u>885,440</u>	<u>799,282</u>	<u>309,397</u>	<u>(489,884)</u>
<b>EXPENDITURES</b>				
Transportation	686,775	717,905	752,787	(34,882)
Capital Outlay	959,072	660,547	29,364	631,183
Debt service:				
Redemption of general long-term debt	35,381	35,381	35,381	-
Interest and other debt service cost	969	969	969	-
Total expenditures	<u>1,682,197</u>	<u>1,414,802</u>	<u>818,501</u>	<u>596,301</u>
Excess of revenues over(under) expenditures	<u>(796,757)</u>	<u>(615,520)</u>	<u>(509,104)</u>	<u>106,417</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital asset	-	-	-	-
Transfer in	482,000	599,174	482,000	(117,174)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>482,000</u>	<u>599,174</u>	<u>482,000</u>	<u>(117,174)</u>
Net change in fund balances	(314,757)	(16,346)	(27,104)	(10,758)
Fund balance - beginning	<u>29,640</u>	<u>34,166</u>	<u>33,459</u>	<u>(707)</u>
<b>Prior Period Adjustment</b>			-	
Fund balance - ending	<u>\$ (285,117)</u>	<u>\$ 17,820</u>	<u>\$ 6,355</u>	<u>\$ (11,465)</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**  
**Transportation Benefit District**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Transportation Benefit Fees	-	52,500	44,153	(8,347)
Intergovernmental revenues	-	2,900	2,900	
Miscellaneous revenues	-	-	(62)	(62)
Total revenues	<u>-</u>	<u>55,400</u>	<u>46,991</u>	<u>(8,409)</u>
<b>EXPENDITURES</b>				
Transportation	-	-	6,637	(6,637)
Capital Outlay	-	10,000	4,730	5,270
Total expenditures	<u>-</u>	<u>10,000</u>	<u>11,368</u>	<u>(1,367)</u>
Excess of revenues over(under) expenditures	<u>-</u>	<u>45,400</u>	<u>35,623</u>	<u>(7,042)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital asset	-	-	-	-
Transfer in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	45,400	35,623	(9,777)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Prior Period Adjustment</b>			-	
Fund balance - ending	<u>\$ -</u>	<u>\$ 45,400</u>	<u>\$ 35,623</u>	<u>\$ (9,777)</u>

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

**CITY OF ENUMCLAW**  
**Statement of Net Position**  
**Proprietary Funds, as of December 31, 2014**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water	Wastewater	Natural Gas	Solid Waste	Expo Center	Totals	
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 61,846	\$ 65,089	\$ 190,695	\$ 9,755	\$ 43,713	\$ 371,098	\$ 287,477
Investments at fair value	444,220	467,517	1,369,703	70,067	313,980	2,665,487	2,064,862
Receivable (net allowance)	325,416	423,638	588,868	228,471	1,020	1,567,413	5,967
Interfund receivables	-	-	-	-	-	-	-
Due from other Gov Units	-	-	-	-	-	-	-
Inventories	58,815	-	113,853	-	-	172,668	-
Total current assets	890,297	956,244	2,263,119	308,293	358,713	4,776,666	2,358,306
Noncurrent assets:							
Restricted cash	157,933	135,580	11,384	-	-	304,897	-
Restricted investments	1,134,383	973,830	81,769	-	-	2,189,982	-
Interfund loan receivables	-	-	-	-	-	-	1,235,352
Capital assets (net of accumulated depreciation)							
Land	58,855	2,035,866	2,475	375	1,610,000	3,707,569	375
Buildings	772,758	12,226,316	16,985	-	2,471,005	15,487,065	-
Improvements	23,086,671	19,838,392	3,995,710	3,495	1,330,896	48,255,164	135,036
Machinery and equipment	219,423	981,527	282,407	-	121,942	1,605,299	1,405,658
Construction in progress	516,083	77,586	87,284	-	-	680,953	-
Total noncurrent assets	25,946,106	36,269,095	4,478,014	3,870	5,533,843	72,230,928	2,776,421
Total assets	\$ 26,836,402	\$ 37,225,340	\$ 6,741,134	\$ 312,163	\$ 5,892,557	\$ 77,007,595	\$ 5,134,728
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	38,918	40,724	348,706	83,660	4,977	516,984	37,926
Other accrued liabilities	38,805	31,236	53,752	24,674	22,687	171,154	25,365
Interfund Loan Payable	300,000	800,000	-	-	-	1,100,000	-
Current bonds payable	644,490	260,510	175,000	-	-	1,080,000	-
Current other liabilities	437,539	1,427,344	31,778	15,434	2,401	1,914,495	16,326
Total current liabilities	1,459,751	2,559,814	609,236	123,768	30,064	4,782,633	79,617
Noncurrent liabilities:							
Bonds payable (net of amortized discount)	1,320,046	4,967,387	-	-	-	6,287,433	-
Compensated absences	44,878	45,135	64,519	31,336	4,875	190,742	33,148
Other long-term liabilities	1,632,995	13,224,904	-	-	-	14,857,899	-
Total noncurrent liabilities	2,997,918	18,237,426	64,519	31,336	4,875	21,336,074	33,148
Total liabilities	4,457,669	20,797,240	673,755	155,103	34,939	26,118,707	112,765
<b>NET POSITION</b>							
Invested in capital assets, net of related debt	20,640,824	15,301,772	4,209,861	(11,564)	5,531,442	45,672,335	1,541,070
Restricted for debt service	748,103	368,469	-	-	-	1,116,572	-
Restricted for construction	-	-	57,250	-	-	57,250	-
Unrestricted	989,806	757,858	1,800,268	188,624	326,176	4,042,731	3,480,893
Total net position	\$ 22,378,733	\$ 16,428,099	\$ 6,067,379	\$ 157,059	\$ 5,857,618	\$ 50,888,888	\$ 5,021,963

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

**CITY OF ENUMCLAW**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Water	Wastewater	Natural Gas	Solid Waste	Expo Center	Totals	
<b>Operating revenues:</b>							
Customer sales and service fees	\$ 2,943,015	\$ 3,949,797	\$ 3,888,596	\$ 2,009,584	\$ 62,760	\$ 12,853,752	\$ 1,836,164
Other charges for service	-	6,100	-	-	-	6,100	25,480
Other operating revenue	152,484	98,132	119,675	20,405	285,101	675,797	3,189
Total operating revenues	<u>3,095,499</u>	<u>4,054,029</u>	<u>4,008,271</u>	<u>2,029,990</u>	<u>347,861</u>	<u>13,535,650</u>	<u>1,864,833</u>
<b>Operating expenses:</b>							
General administration	464,496	568,777	516,727	311,111	540,010	2,401,120	86,611
General operations	776,448	690,472	702,891	1,361,560	-	3,531,370	1,125,163
Gas purchased for resale	-	-	2,198,112	-	-	2,198,112	-
Maintenance	-	165,201	-	-	-	165,201	-
Depreciation and amortization	544,454	1,137,040	159,874	714	456,215	2,298,297	235,561
Insurance and payment on claims	-	-	-	-	-	-	320,079
Taxes	381,135	409,939	345,621	360,173	-	1,496,868	-
<b>Total operating expenses</b>	<u>2,166,532</u>	<u>2,971,428</u>	<u>3,923,225</u>	<u>2,033,558</u>	<u>996,225</u>	<u>12,090,968</u>	<u>1,767,414</u>
<b>Operating income (loss)</b>	<u>928,967</u>	<u>1,082,601</u>	<u>85,046</u>	<u>(3,568)</u>	<u>(648,364)</u>	<u>1,444,682</u>	<u>97,419</u>
Nonoperating revenues (expenses):							
Investment interest	10,649	8,192	22,582	643	6,053	48,119	63,671
Intergovernmental	366,475	-	-	30,034	-	396,509	-
Gain (Loss) from sale of Capital Assets	-	-	-	-	-	-	4,855
Interest expense and related charges	(144,075)	(341,050)	(12,075)	-	-	(497,199)	-
Total nonoperating revenue (expense)	<u>233,050</u>	<u>(332,857)</u>	<u>10,507</u>	<u>30,677</u>	<u>6,053</u>	<u>(52,571)</u>	<u>68,526</u>
Income (loss) before contributions and transfers	1,162,017	749,744	95,553	27,109	(642,311)	1,392,112	165,945
Transfers in	-	275,000	-	-	85,728	360,728	42,887
Capital Asset contributions	43,693	11,233	-	-	-	54,926	-
Transfers out	-	-	-	-	-	-	(300,728)
Change in net position	1,205,710	1,035,977	95,553	27,109	(556,583)	1,807,766	(91,896)
Total net position - beginning	21,118,127	15,386,939	5,979,483	129,949	6,414,202	49,028,700	5,098,461
Special Item	38,648	-	-	-	-	38,648	-
Prior Period Correction	16,248	5,185	(7,659)	-	-	13,774	15,397
Total net position - ending	<u>\$22,378,733</u>	<u>\$ 16,428,099</u>	<u>\$ 6,067,379</u>	<u>\$ 157,059</u>	<u>\$ 5,857,618</u>	<u>\$50,888,888</u>	<u>\$ 5,021,963</u>

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

**CITY OF ENUMCLAW**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	Business-type Activities - Enterprise Funds						Gov'tal Activities Internal Srcv Funds
	Water	Wastewater	Natural Gas	Solid Waste	Expo Center	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 2,935,419	\$ 3,966,205	\$ 4,095,010	\$ 2,008,170	\$ 62,760	\$ 13,067,564	\$ 1,834,561
Receipts for miscellaneous revenue	152,484	98,132	119,675	20,405	285,101	675,797	28,669
Payments for insurance and claims	-	-	(2,198,112)	-	-	(2,198,112)	(320,079)
Payments for merchandise	(1,607,352)	(1,846,944)	(1,668,398)	(2,026,187)	(544,578)	(7,693,458)	(1,216,387)
Payments for wages and operating expenses	1,480,551	2,217,393	348,175	2,389	(196,717)	3,851,791	326,765
<b>Net cash provided (used) by operating activities</b>							
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Interfund loans	-	200,000	-	-	-	200,000	(496,303)
Grant receipts	348,871	-	-	30,034	-	378,905	-
Interfund transfers	-	275,000	(9,500)	-	85,728	351,228	42,887
<b>Net cash (used) by capital financing activities</b>							
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Payments for interest	(144,075)	(341,050)	(12,075)	-	-	(497,200)	-
Proceeds of fixed asset disposal	-	-	-	-	-	-	4,855
Capital debt proceeds	-	-	-	-	-	-	-
Principal payment on bonds	(620,620)	(249,380)	(170,000)	-	-	(1,040,000)	-
Principal payments on notes	(376,787)	(1,405,113)	-	-	-	(1,781,900)	-
Purchases of capital assets	(526,223)	(69,694)	(175,171)	-	(26,485)	(797,573)	(233,668)
Capital Contributions	43,693	11,233	-	-	-	54,926	-
<b>Net cash (used) by capital financing activities</b>							
<b>Cash Flows From Investing Activities</b>							
Sale (purchase) of investments	(144,454)	(541,891)	25,288	(28,161)	124,393	(564,826)	305,608
Interest and dividends on investments	10,649	8,192	24,423	643	6,053	49,960	61,873
<b>Net cash provided (used) in investment activities</b>							
<b>Net increase in cash and equivalents</b>							
<b>Cash - beginning of year</b>							
<b>Cash - end of year</b>							
Cash at end of year consists of							
Operating cash	\$ 61,846	\$ 65,089	\$ 190,695	\$ 9,755	\$ 43,713	\$ 371,098	287,478
Restricted cash	157,933	135,580	11,384	-	-	304,897	-
<b>Total cash at end of year</b>							
	\$ 219,779	\$ 200,669	\$ 202,079	\$ 9,755	\$ 43,713	\$ 675,995	\$ 287,478

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

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Operating income (loss)	\$ 928,967	\$ 1,082,601	\$ 85,046	\$ (3,568)	\$ (648,364)	\$ 1,444,682	\$ 97,421
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation	544,454	1,137,040	159,874	714	456,215	2,298,297	235,561
(Increase) decrease in accumulated H leave liability	(5,156)	(9,481)	191	9,960	446	(4,040)	(3,386)
Change in assets and liabilities:							
(Increase) decrease in accounts receivable other	(7,596)	10,308	206,414	(1,414)	0	207,712	(1,603)
(Increase) decrease in inventory of supplies	(8,047)	-	(5,726)	-	-	(13,773)	504
Increase (decrease) in vouchers and claims payable	27,930	(3,075)	(97,624)	(3,303)	(5,014)	(81,086)	(1,731)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,480,552</u>	<u>\$ 2,217,393</u>	<u>\$ 348,175</u>	<u>\$ 2,389</u>	<u>\$ (196,717)</u>	<u>\$ 3,851,792</u>	<u>\$ 326,765</u>

**Non Cash Investing, Capital and Financing Activities:**

Capital Contributions by Developers	\$ 43,693	\$ 11,233	\$ -	\$ -	\$ -	\$ 54,926	\$ 15,397
Prior Period Adjustments/Special Items	54,896	5,185	(7,659)	-	-	52,422	-
<b>Total Non Cash Investing, Capital and Financing Activities.</b>	<u>\$ 98,589</u>	<u>\$ 16,418</u>	<u>\$ (7,659)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,348</u>	<u>\$ 15,397</u>

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

**CITY OF ENUMCLAW**  
**Statement of Net Position**  
**Fiduciary Funds**  
**December 31, 2014**

	<u>Schlottfeldt Library Trust Fund</u>	<u>Deposit Holding Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,179	\$ 24,791
Investments at fair value	22,837	178,532
Receivable (net)	-	-
Total assets	<u>26,016</u>	<u>203,323</u>
<b>LIABILITIES</b>		
Accounts payable	-	14,973
Other liabilities	-	188,350
Total liabilities	<u>-</u>	<u>203,323</u>
<b>NET POSITION</b>		
Net position held in trust for library and other purposes	<u>\$ 26,016</u>	<u>\$ -</u>

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

**CITY OF ENUMCLAW**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2014**

	<b>Library</b>
<b>ADDITIONS</b>	
Contributions:	
Other sources	\$ 333
Total contributions	333
<b>DEDUCTIONS</b>	
Supplies	-
Total deductions	-
Change in net position held in trust for:	333
Net Position - beginning	25,683
Net Position - ending	\$ 26,016

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

## Notes to the Financial Statements December 31, 2014

### **NOTE 1 – Summary of Significant Accounting Policies**

#### **A. Description of Government-Wide 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 and its component units (none). All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

#### **B. Reporting Entity**

The City of Enumclaw is a municipal corporation governed by an elected mayor and seven-member governing council. The accompanying financial statements of the City of Enumclaw have been prepared in conformity with generally accepted accounting principals (GAAP). The significant accounting policies applicable to the City of Enumclaw are described below.

The City's financial report includes all activity for which the City of Enumclaw is considered to be financially accountable. Financial accountability is determined based on the budget adoption, spending authority, taxing authority, and outstanding debt secured by revenues or general obligations of the City. There are no non-reported activities meeting any of these criteria.

Blended Component Unit – The Enumclaw Transportation Benefit District (TBD) was formed by the City Council on May 13, 2013. The purpose of the district is to fund the maintenance, improvement and preservation of existing transportation infrastructure. The City of Enumclaw Council appointed itself to act as the seven-member governance board of the District. Although it is legally separate from the City of Enumclaw, the Enumclaw Transportation Benefit District is reported as if it were part of the primary government as a Special Revenue Fund because of its governance structure and because its sole purpose is to finance and construct City of Enumclaw streets. The district is funded by a \$20 excise tax on all vehicles registered within the City of Enumclaw. Under contract with the Washington State Department of Licensing, the vehicle excise taxes began collection in August 2014. The Semanski Street project was transferred to the TBD fund in 2014; however, project expenditures were less than \$10,000 in 2014. Separately issued financial statements are available from the City of Enumclaw Finance Director.

### C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the Cities enterprise funds. Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonable equivalent in value to the interfund services provided and other charges between the City's utilities and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category; governmental, proprietary, and fiduciary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All enterprise funds are treated as a major fund. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *street fund* accounts for the planning, engineering, construction and maintenance of City streets.

The *transportation benefit district* accounts for the receipt and disbursement of vehicle excise taxes collected by the Enumclaw Transportation Benefit District, a blended component unit of the City.

The City 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, and collection of waste. Expenses are for maintenance and extension of drainage, water, wastewater and gas service systems, equipment and natural gas inventory. These funds also reflect 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 former King County Fairgrounds, donated to the City in 2007.

Additionally, the City 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 accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

*Internal service funds* account for the fleet management, risk management, and data processing services provided to all other departments of the City and other governments on a cost-reimbursement basis.

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

*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 operations.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e, the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e, the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as

transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included as business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

## **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 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.

The 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 due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property tax, sales tax, franchise tax, 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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end.) All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

## **F. Budgetary Information**

### **1. Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special revenue funds, and debt service funds. Proprietary and fiduciary funds are budgeted for management purposes only. National Council on Governmental Statement No. 1 does not require and the financial statements do not present, budgetary comparisons for proprietary or fiduciary funds.

Annual appropriated budgets are adopted at the fund level. Legal budgetary control is also 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. Encumbrances are committed amounts for goods and services ordered or contracts. Encumbrances do not constitute expenditures or liabilities and 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. The 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<sup>st</sup>. Within 30 days of adoption, the final budget is available to the public.

## 2. Excess of Expenditures over Appropriations

The Local Improvement District Debt Service Fund (#215) exceeded appropriations by \$1,125. Participant's payments exceeded estimates; therefore, the City increased the debt service by the same amount.

## **G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

### 1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

### 2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the Local Government Investment Pool (LGIP). In accordance with State law, the LGIP operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.

### 3. 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 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.

### 4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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, the efficiency or increase the estimated useful life of the assets.

Major outlays for capital and improvements are capitalized at the completion of a project. Street infrastructure assets are entered into the system on a network basis since these assets consist of several different components of 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 a straight line method with the following estimated useful lives:

<b>Asset Category</b>	<b>Useful Life (years)</b>
Buildings	45-50
Improvements	10-75
Machinery & Equipment	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 4-D.

#### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the Governmental Funds Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to the future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is recorded only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources; property taxes and special assessments. These amounts

are deferred and recognized as an inflow of resources in the period that the amounts become available.

## 6. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements flow assumption must be made about the order in which resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## 7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Additional Council action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## H. Revenues and Expenditures/Expenses

### 1. Property Taxes

The King County Treasurer acts as an agent to collect property taxes levied for all taxing authorities in the County. Collections are distributed daily via wire transfer from the County.

The property tax calendar is as follows:

Date		Property Tax Calendar
January	1	Taxes are levied and become an enforceable lien against properties
February	14	Tax bills are mailed
April	30	First of two equal installment payments is due
May	31	A penalty of 3% is assessed on delinquent current year taxes
May	31	Assessed value of property established for next year's levy
October	31	Second installment is due
November	30	A penalty of 8% is assessed on delinquent current year taxes

Property taxes are levied by the County Assessor and collected by the County's Budget/Finance Office. Payments may also be mailed to the County Assessor's Office. A lien is placed on the property on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$50. Delinquent taxes are charged an interest rate of 12%. If not paid by the assigned date, additional penalties will be assessed – an additional 3% after May 31<sup>st</sup> and an additional 8% after November 30 of the same year.

The State Legislature has established the maximum regular property tax rate for cities at \$3.60 per \$1,000 of assessed valuation. Since the City has annexed into a Fire District and Library district, the maximum regular levy available to the City is \$1.60, which is \$3.60 less \$1.50 for the Fire District and \$.50 for the library district. As of 2014 the Fire District levy was below \$1.50, which leaves banked capacity available for the City's use. The City of Enumclaw's regular levy for 2014 was \$1.42 per \$1,000 of assessed valuation of \$980,681,573 for a total regular levy of \$1,393,266.

Washington State Constitution and Washington State Law, RCW 84.55.010, limit the levy rate.

## 2. Compensated Absences

### Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignation or retirements. The liability for compensated absences includes salary related benefits, where applicable.

### Sick Leave

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 leave 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 ten years of employment, 25% of accumulated sick leave is payable upon resignation, retirement or death. For this purpose, 120 hours will be the maximum paid out.

## 3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues from the water, wastewater, natural gas, and solid waste funds are charges to customers for sales and services. The exposition center fund's principal operating revenues come from short and long-term facility rentals. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

#### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$39,287,865 are as follows:

Land	\$ 8,209,701
Construction in Progress	279,168
Buildings	4,153,188
Less: Accumulated Depreciation - buildings	(2,095,836)
Improvements	38,191,061
Less: Accumulated Depreciation - improvements	(9,907,620)
Machinery & Equipment	1,478,959
Less: Accumulated Depreciation - machinery & equipment	<u>(1,020,757)</u>
 Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ 39,287,865</u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet management, risk management, and data processing services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The net position of the internal service funds is \$5,021,963.

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,385,513 difference are as follows:

Bonds Payable	\$ 215,514
Compensated Absences	758,124
Long-term Interfund Loan	298,364
Special Assessment Bonds	48,610
Capital Lease & Gov't Loans	<u>64,900</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ 1,385,512</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the governmental-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period. The details of this \$474,682 difference are as follows:

Capital Outlay	\$ 351,911
Depreciation Expense	<u>(826,593)</u>

Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at changes in net position of governmental funds	<u>\$ (474,682)</u>
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Another element of that reconciliation states that 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 the governmental funds. The details are as follows:

Compensated Absences	\$ 70,937
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Another element of that reconciliation states that internal service funds are used by management to charge the costs of fleet management, risk management, and data processing to individual funds. The net revenue of certain activities in the internal service funds is reported with governmental activities as follows:

Internal Service Funds Net Revenue	\$ (271,338)
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**Note 3. Stewardship, Compliance, and Accountability**

**A. Violations of legal or contractual provisions** – There have been no material violations of finance-related legal or contractual provisions.

**B. Deficit Fund Equity** – None to report.

## **Note 4. Detailed Notes on all Activities and Funds**

### **A. Cash Deposits with Financial Institutions**

On December 31, 2014, the carrying amount of the City's deposits was \$1,723,847 and the total bank balance was \$1,720,315. The \$3,532 difference represents petty cash funds held for minor reimbursement requests.

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The city's bank balance is insured by the FDIC which insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are insured by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

The City does not have a formal policy for custodial credit risk beyond the requirements of State statute. State law restricts deposit of funds in financial institutions physically located in Washington unless expressly permitted by statute and authorized by the WPDPC.

As of December 31, 2014, the City's total deposits and cash equivalents consisted of the following:

Operating Accounts	\$ 1,720,315
Petty Cash	<u>3,532</u>
<b>Total Cash &amp; Cash Equivalents</b>	<b><u>\$ 1,723,847</u></b>

### **B. Investments**

The City's investment policy, developed by the Finance Department, is adopted by City Council. Authority to manage the investment program is derived from City of Enumclaw Resolution No. 1210. This resolution gives the Finance Director authority to invest in any of the securities identified as eligible investments as defined by State Statute with primary emphasis of safety, liquidity and yield.

The table below identifies the investment types that are authorized for the City of Enumclaw by the State of Washington (or the City's Investment Policy where more restrictive):

<u>Authorized Investment Type</u>	<u>Maximum</u>
U.S. Treasury Obligations	100%
U.S. Agency Coupon Securities	100%
U.S. Agency Discount Notes	100%
Repurchase Agreements	50%
Certificates of Deposit	50%
Bankers Acceptance	50%
State of WA Local Gov't Investment Pool	100%

The City participates in the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. It is managed by the Office of the State Treasurer, which is responsible for establishing the investment policy for the pool.

The LGIP was established by the State of Washington in 1986 for the purpose of providing political subdivisions of the State a mechanism whereby they may utilize the resources of the State Treasurer's Office to maximize the potential of surplus funds while ensuring the safety of public funds. The State Auditor's Office audits the accounts of the State Treasurer to determine the compliance of investment activities with state statute and the investment policy. Also, an independent audit of the Pool's financial statements is performed annually. The State Treasurer has created an Advisory Committee consisting of eight members appointed by participant associations and four members appointed by the State Treasurer. The committee meets at least quarterly to provide advice on the operation of the pool.

As of December 31, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$ 7,007,440	0.42
Bond Fund	1,000,000	13
Local Gov't Investment Pool	<u>4,154,318</u>	
Tota Fair Value	\$ 12,161,758	

*Interest Rate Risk:* As a means of minimizing risk of loss arising from interest rate fluctuations, the City's investment policy requires that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S Treasury securities and the

LGIP, the City will invest no more than fifty percent (50%) of its total investment portfolio in a single security type or with a single financial institution.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The City's investment policy limits the type of securities available for investment to obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System, certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States, bonds of the State of Washington and any local government in the state provided they carry a current debt rating in the top three categories of a nationally recognized rating agency at the time of investment, Prime Bankers Acceptances purchased on the secondary market, and the LGIP.

The credit risk of the LGIP is limited to obligations of the United States government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

*Custodial Credit Risk:* Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policies require that all investments be held by the City's third party safekeeping agent in the City's name. As of December 31, 2014 all of the \$12,161,758 investments in U.S. agency debt obligations and municipal securities were registered, and held by its safekeeping agent in the City's name. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

**C. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectable) line for certain funds and aggregated columns for others. Below is the detail of receivables for the general, street and nonmajor governmental funds in the aggregate; as well as the enterprise and internal service funds:

Receivables	Nonmajor			Internal		Total
	General	Street	Governmental	Enterprise	Service	
Accounts	\$ 103,641	\$ 12,986	\$ 53,653	\$ -	\$ 5,967	\$ 176,247
Property Taxes	82,366	-	-	-	-	82,366
Sales Tax	161,863	-	-	-	-	161,863
Special Assessments	-	-	557,419	-	-	557,419
Loans	-	-	-	-	1,235,352	1,235,352
Water	-	-	-	325,416	-	325,416
Wastewater	-	-	-	423,638	-	423,638
Natural Gas	-	-	-	588,868	-	588,868
Solid Waste	-	-	-	228,471	-	228,471
Expo	-	-	-	1,020	-	1,020
Total Receivables	<u>\$ 347,870</u>	<u>\$ 12,986</u>	<u>\$ 611,072</u>	<u>\$ 1,567,413</u>	<u>\$ 1,241,319</u>	<u>\$ 3,780,659</u>

Based on the payment schedule for special assessments receivables, \$557,419 of the amount reported in the debt service fund is not expected to be collected within the next year. Also, approximately \$842,406 of the outstanding balance of loans receivable are not anticipated to be collected within the next year.

Revenues of the four utilities are reported net of uncollectible amounts. Total uncollectible amounts related to sales of the period amounts to \$10,644.

## D. Capital Assets

Capital assets activity for the year ended December 31, 2014, was as follows:

Governmental Activities:	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
Capital assets, not being depreciated:				
Land	\$ 8,210,077	\$ -	\$ -	\$ 8,210,077
Construction-in-progress	<u>802,267</u>	<u>63,046</u>	<u>(586,144)</u>	<u>279,169</u>
Total capital assets, not being depreciated	<u>9,012,344</u>	<u>63,046</u>	<u>(586,144)</u>	<u>8,489,246</u>
Capital assets, being depreciated:				
Buildings	4,153,188	-	-	4,153,188
Improvements	38,063,074	317,518	(4,460)	38,376,133
Machinery & Equipment	<u>6,577,355</u>	<u>214,786</u>	<u>(599,303)</u>	<u>6,192,838</u>
Total capital assets, being depreciated	<u>48,793,617</u>	<u>532,305</u>	<u>(603,763)</u>	<u>48,722,159</u>
Less accumulated depreciation for:				
Buildings	(1,961,244)	(134,591)	-	(2,095,835)
Improvements	(9,307,460)	(668,843)	18,648	(9,957,655)
Machinery & Equipment	<u>(4,240,624)</u>	<u>(303,298)</u>	<u>214,942</u>	<u>(4,328,980)</u>
Total accumulated depreciation	<u>(15,509,328)</u>	<u>(1,106,731)</u>	<u>233,589</u>	<u>(16,382,470)</u>
Total capital assets being depreciated, net	<u>33,284,289</u>	<u>(574,427)</u>	<u>(370,173)</u>	<u>32,339,689</u>
Governmental activities capital assets, net	<u>\$ 42,296,633</u>	<u>\$ (511,381)</u>	<u>\$ (956,318)</u>	<u>40,828,935</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:	
General Government	\$ 35,519
Public Safety	175,655
Economic Environment	1,195
Transportation	463,837
Culture & Recreation	194,966
Internal Services	<u>235,559</u>
Total depreciation expense - governmental activities	<u>\$ 1,106,731</u>

Business-type activities	Balance			Balance December 31,2014
	January 1, 2014	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 3,707,570	\$ -	\$ -	\$ 3,707,570
Construction-in-progress	<u>69,455</u>	<u>611,498</u>	<u>-</u>	<u>680,953</u>
Total capital assets, not being depreciated	<u>3,777,025</u>	<u>611,498</u>	<u>-</u>	<u>4,388,523</u>
Capital assets, being depreciated:				
Buildings	23,525,264	-	-	23,525,264
Improvements	65,522,611	227,961	-	65,750,572
Machinery & Equipment	<u>3,027,092</u>	<u>62,161</u>	<u>(30,607)</u>	<u>3,058,646</u>
Total capital assets, being depreciated	<u>92,074,967</u>	<u>290,122</u>	<u>(30,607)</u>	<u>92,334,482</u>
Less accumulated depreciation for:				
Buildings	(7,367,009)	(672,405)	1,215	(8,038,199)
Improvements	(16,016,276)	(1,459,436)	(19,696)	(17,495,408)
Machinery & Equipment	<u>(1,293,015)</u>	<u>(170,192)</u>	<u>9,860</u>	<u>(1,453,347)</u>
Total accumulated depreciation	<u>(24,676,300)</u>	<u>(2,302,033)</u>	<u>(8,621)</u>	<u>(26,986,954)</u>
Total capital assets being depreciated, net	<u>67,398,667</u>	<u>(2,011,911)</u>	<u>(39,228)</u>	<u>65,347,528</u>
Business-type activities capital assets, net	<u>\$ 71,175,692</u>	<u>\$ (1,400,413)</u>	<u>\$ (39,228)</u>	<u>69,736,051</u>

Depreciation expense was charged to the business-type activities as follows:

Enterprise Activities	
Water	\$ 544,454
Wastewater	1,137,040
Natural Gas	159,874
Solid Waste	699
Expo	<u>459,966</u>
Total depreciation expense - business-type activities	<u>\$ 2,302,033</u>

## **E. Pension Obligations**

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 payout 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, 2014**

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	9.21%	9.21%	9.21%
Employee	6.00%	4.92%	***

\*Employer rates include employer administrative expense fee currently 0.18%.

\*\*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, 2014**

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>	
	<b>10,547</b>	<b>358,532</b>	<b>19,483</b>	<b>2014</b>
	12,241	338,551	21,911	2013
	12,491	282,009	18,674	2012
	11,526	243,944	15,076	2011

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:

<u>Term of service</u>	<u>Percent of final average</u>
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, 2014**

<u>LEOFF Plan 2</u>	
Employer*	5.23%
Employee	8.41%
State	3.36%

*\*Employer rate includes employer administrative expense fee currently set at 0.18%.*

**Required contributions for the years  
ending December 31, 2014**

<u>LEOFF Plan 2</u>	
<u>75,373</u>	<u>2014</u>
83,451	2013
72,108	2012
72,498	2011

*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, 2014**

<b>PSERS Plan 2</b>	
Employer*	10.54%
Employee	6.36%
State	3.13%

*\*Employer rate includes employer administrative expense fee currently set at 0.18%.*

### **Required contributions for the years ending December 31, 2014**

<b>PSERS Plan 2</b>	
<b>2014</b>	<b>27,651</b>
2013	24,160
2012	23,351
2011	21,653

*Both the City and the employees made the required contributions.*

**F. Other postemployment benefit (OPEB) obligations**

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 six\* (6) 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 2014 was as follows:

Medical Insurance Program Premiums	41,484
<i>Six (6) LEOFF I eligible for Medicare part A &amp; B</i>	
Enumclaw Direct Medical payments	32,162
<i>Six (6) 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>	
<hr/> Total Costs	<hr/> \$73,646

**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 liability of \$174,961 is included as a non-current liability in the Statement of Net Assets. The city's percentage of annual OPEB cost contributed to the plan for 2014 was 39%. As of 12/31/2014, the plan was funded 57%.

	2010	2011	2012	2013	2014
Actuarial Accrued Liability (AAL)	\$ 1,743,077	\$ 1,743,077	\$ 1,743,077	\$ 2,190,882	\$ 2,190,882
Annual Required Contribution (ARC)	\$ 162,305	\$ 162,305	\$ 162,305	\$ 197,050	\$ 197,050
Interest on Prior Year's Net Obligation	-	-	-	-	-
Annual OPEB Requirement	162,305	162,305	162,305	197,050	197,050
Less: City Contribution	(105,213)	(192,801)	(70,063)	(77,178)	(73,646)
Subtotal	57,092	(30,496)	92,242	119,872	123,404
Cumulative Net Obligation, PY	(63,750)	(6,658)	(37,154)	55,088	174,960
Net Obligation, Year-end	\$ (6,658)	\$ (37,154)	\$ 55,088	\$ 174,960	\$ 298,364

### Association of Washington Cities Employee Benefit Trust

The City of Enumclaw is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). RCW Chapter 48.62 provides that two or more local government entities may, by Interlocal Agreement under RCW Chapter 39.34, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of RCW Chapter 39.34, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee benefit Trust in the State of Washington joined together by signing an Interlocal Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

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

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

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

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all

rights and interest to the HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities and towns, the Employee Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with RCW Chapter 48.62. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program Policies, RCW Chapter 48.62 and WAC Chapter 200-110.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of RCW Chapter 43.09. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by WAC Chapter 200-110. The audit report for the AWC Trust HCP is available from the Washington State Auditor's Office.

Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

Coverage Type	Health First 1000	Health First 2500
Non-Medicare enrolled retiree	\$830.01	\$724.72
Non-Medicare enrolled spouse	\$837.26	\$729.99
Medicare enrolled retiree	\$443.30	\$388.08
Medicare enrolled spouse	\$456.13	\$398.04

## G. 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.

The City's settlements did not exceed the insurance coverage in the past three years.

**H. Long –Term Debt and Leases**

**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 \$2,269,500, \$1.5 million of this debt is in the Natural Gas 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.

<b>Name of Issuance</b>	<b>Purpose</b>	<b>Maturity Range</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Debt Outstanding</b>
2003 LTGO Cole Street	Governmental Activities	5/22/03 to 6/1/18	3.60%	759,500	\$ 215,513
2005 LTGO Gas	Business-type Activities	8/8/05 to 8/1/2015	3.50%	1,510,000	175,000
					\$ 390,513

<b>Governmental Activities</b>				<b>Business-type</b>			
<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirement</b>	<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirement</b>
2015	\$ 58,842	\$ 6,968	\$ 65,810	2015	\$ 175,000	\$ 12,075	\$ 187,075
2016	60,989	4,821	65,810		-	-	-
2017	63,214	2,595	65,809	Total	\$ 175,000	\$ 12,075	\$ 187,075
2018	32,468	436	32,904				
	-	-	-				
Total	\$ 215,513	\$ 14,820	\$ 230,333				

**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	Maturity Range	Interest Rate	Original Amount	Debt Outstanding
Roosevelt Ave PWTF Loan	Governmental Activities	11/11/96 to 7/1/16	1.00%	584,850	\$ 61,564
Waterline PWTF Loan	Business-type Activities	4/22/96 to 7/1/18	1.00%	7,000,000	1,507,151
Y Bar S Acquisition	Business-type Activities	10/01/09 to 10/01/29	1.50%	730,248	541,280
WWTP Expansion PWTF	Business-type Activities	9/15/03 to 9/15/23	5.00%	24,700,000	14,630,011
					\$ 16,740,006

Governmental Activities				Business-type			
Year Ending December 31	Principal	Interest	Total Requirement	Year Ending December 31	Principal	Interest	Total Requirement
2015	\$ 30,782	\$ 616	\$ 31,398	2015	\$ 1,820,548	\$ 96,338	\$ 1,916,886
2016	30,782	308	31,090	2016	1,820,548	84,969	1,905,517
	-	-	-	2017	1,820,548	73,591	1,894,139
Total	\$ 61,564	\$ 924	\$ 62,488	2018	1,820,548	62,218	1,882,766
				2019	1,443,761	50,845	1,494,605
				2020-2024	6,655,019	140,146	6,795,165
				2025-2028	1,297,470	13,020	1,310,491
				Total	\$ 16,678,442	\$ 521,127	\$ 17,199,569

**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, and to make street improvements. 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 are serial bonds but are called “yearly based on assessments received.” As of December 31, 2014 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.

Name of Issuance	Purpose	Maturity Range	Interest Rate	Original Amount	Debt Outstanding
LID 101 Warner Ave	Governmental Activities	2/1/06 to 2/1/18	4.20%	362,772	48,610

Governmental Activities			
Year Ending December 31	Principal	Interest	Total Requirement
2015	\$ 30,187	\$ 1,500	\$ 31,687
2016	18,423	713	19,136
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
Total	\$ 48,610	\$ 2,213	\$ 50,823

**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.

Governmental Activities	
Year Ending December 31	Gov't Activities
2015	\$ 3,337
2016	-
	-
Total	\$ 3,337

**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 \$12,700,000. The water/wastewater revenue bonds are issued to finance capital projects.

Name of Issuance	Purpose	Maturity Range	Interest Rate	Original Amount	Debt Outstanding
2005 Water/Wastewater Refund	Business-type Activities	6/3/05 to 9/1/17	2.6% to 4%	7,040,000	\$ 2,105,000
2011 Water/Wastewater	Business-type Activities	2/1/11 to 9/1/30	2% to 4.5%	5,660,000	5,020,000
					<u>\$ 7,125,000</u>

Business-type Activities			
Year Ending December 31	Principal	Interest	Total Requirement
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	255,000	208,425	463,425
2019	260,000	198,225	458,225
2020-2024	645,000	833,175	1,478,175
2025-2030	<u>3,150,000</u>	<u>515,000</u>	<u>3,665,000</u>
Total	\$ 7,125,000	\$ 2,543,900	\$ 9,668,900

To service revenue debt, \$1,116,572 was available in the Revenue Bond Reserve Fund as of December 31, 2014.

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.

**Changes in Long-Term Liabilities**

Changes in the City's long-term liabilities for the year ended December 31, 2014 are as follows:

<b>Governmental Activities:</b>	<b>Balance January 1, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2014</b>	<b>Due Within One Year</b>
Bonds Payable					
General Obligation Bonds	\$ 272,284	\$ -	\$ 56,770	\$ 215,514	\$ 58,842
Special Assessment Bonds	<u>81,277</u>	<u>-</u>	<u>32,667</u>	<u>48,610</u>	<u>30,187</u>
Total Bonds Payable	353,561	-	89,437	264,124	89,029
Capital Leases	70,559	-	67,222	3,337	-
Government Loans	96,944	-	35,381	61,563	30,782
Compensated Absences	<u>740,046</u>	<u>72,619</u>	<u>5,067</u>	<u>807,597</u>	<u>250,181</u>
Governmental Activities L-T Liabilities	<u>\$ 1,261,110</u>	<u>\$ 72,619</u>	<u>\$ 197,107</u>	<u>\$ 1,136,621</u>	<u>\$ 369,991</u>
<b>Business-type Activities</b>					
Bonds Payable					
Revenue Bonds	\$ 7,995,000	\$ -	\$ 870,000	\$ 7,125,000	\$ 905,000
Less Deferred Amounts for Premiums/Discounts	52,648	42,896	28,110	67,434	-
General Obligation Bonds	<u>345,000</u>	<u>-</u>	<u>170,000</u>	<u>175,000</u>	<u>175,000</u>
Total Bonds Payable	8,392,648	42,896	1,068,110	7,367,434	1,080,000
Compensated Absences	288,730	10,597	14,637	284,690	93,948
Government Loans	<u>18,499,423</u>	<u>-</u>	<u>1,820,977</u>	<u>16,678,446</u>	<u>1,820,335</u>
Business-type Activities L-T Liabilities	<u>\$ 27,180,801</u>	<u>\$ 53,493</u>	<u>\$ 2,903,724</u>	<u>\$ 24,330,570</u>	<u>\$ 2,994,283</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 \$49,474 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.

## I. Fund Balance

### ***Minimum Fund Balance Policy***

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, City Administration, Finance and Council will develop a plan to replenish the fund balance to the established minimum level as economic conditions allow.

### ***Contingency (Stabilization) Fund***

The City created a Contingency Fund under RCW 35A.33.145 to be used for expenses that occur that could not have been foreseen or reasonably evaluated at the time of adopting the annual budget. The maximum accumulation is 37.5 cents per 1,000 of assessed value. Funds can only be used by the majority action of City Council through a budget amendment. At year-end the City had \$319,244 in the fund, which was less than the allowed maximum of \$367,589 (based on AV of \$980,239,382).

### ***Fund Balance Classifications***

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 or 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.

**J. Interfund Loan Receivables and Payables**

The composition of interfund balances as of December 31, 2014 is as follows:

***Due to/from other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
ER&R	Water	\$ 800,000
ER&R	Sewer	300,000
ER&R	LID 215	135,352
Total		<u>\$ 1,235,352</u>

The interfund loan receivables/payables balances shown above include three loans:

- 1) ER&R \$160,000 loan to Y BAR S LID fund, P&I payments due annually throughout the life of the LID.
- 2) ER&R \$800k loan to Wastewater to be paid in full by June 2017.
- 3) ER&R \$300k loan to Water to be paid in full by August 2017.

**K. Interfund Transfers**

The composition of interfund transfers for the year ended December 31, 2014 is as follows:

	<u>Transfer in:</u>						<u>Totals</u>
	<u>General Fund</u>	<u>Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Debt Service Fund</u>	<u>Enterprise Water Fund</u>	<u>Internal Service Funds</u>	
<b><u>Transfer out:</u></b>							
General Fund	\$ 8,000	\$ 482,000	\$ 186,838	\$ -	\$ 60,000	\$ 35,887	\$ 772,725
Nonmajor governmental funds	16,270	-	19,643	65,810	-	7,000	108,723
ER& R Fund	-	-	-	-	300,728	-	300,728
<b>Total</b>	<u>\$ 24,270</u>	<u>\$ 482,000</u>	<u>\$ 206,481</u>	<u>\$ 65,810</u>	<u>\$ 360,728</u>	<u>\$ 42,887</u>	<u>\$ 1,182,176</u>

During the year transfers in/out are used to move revenues to the debt service funds and support the operations and/or capital projects of other funds, In 2014 the General Fund supported the operations of the Street, Pool, and Exposition Center Funds.

L. **Endowments**

1. **Cemetery Endowment Care Trust Fund** – codified in Chapter 2.70, section 090 of the Enumclaw Municipal Code, established in 1958, and revised by Ordinance 1879 in 1996. Fund was established to support long-term maintenance of the cemetery once it is fully completed in terms of lot sales. Lot sales and investment earnings provide the revenue source for this fund. Ten percent of the gross sale price of each cemetery plot or mausoleum niche is deposited in the fund for endowment care and upkeep of the cemetery. The principle of the trust is kept intact and not diminished, except it may be used for expansion of the mausoleum.

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Cemetery Endowment Fund  
For the Year Ended December 31, 2014**

Operating Revenues	\$	17,389
Operating Expenditures		<u>3,256</u>
Net Change in Fund Balance		14,133
Fund Balance Beginning		<u>425,922</u>
Fund Balance Ending	\$	<u><u>440,055</u></u>

2. **Richard P. Lafromboise Memorial Fund** – was established in 1987. The City received \$100,000 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.

**Schlotfeldt Library Fund** – was established in 1963 to account for donations and related earnings from the Schlotfeldt family to support the pioneer history of the City. The fund is dedicated to the maintenance of the historical library collection. In 2012 the collection was moved to the Historical Society when the City Library annexed to KCLS; however, the Fund monies remain with the City.

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Library Trust & Endowment Funds  
For the Year Ended December 31, 2014**

	<u>Scholtfeldt</u>	<u>Lafromboise</u>
Operating Revenues	\$ 333	\$ 1,606
Operating Expenditures	-	-
Net Change in Fund Balance	333	1,606
Fund Balance Beginning	25,683	124,017
Fund Balance Ending	\$ 26,016	\$ 125,623

- M. Contingencies – The City received notification in February 2015 from the WA State Department of Transportation that \$582,952 of federal grant monies received for the Welcome Center project were forgiven. The City was unable to move the project forward after losing the two key partners in the project (National Parks & U.S. Forest Service).
- N. Subsequent Events –The Welcome Center Fund was closed per Ordinance No. 2568 on April 13, 2015 and the remaining fund balance transferred back to the REET funds. For 2014 reporting, the City expensed 2014 Welcome Center expenditures and wrote off prior year Construction in Progress.
- O. Special Items – The YBARS assets are reported in the Water Fund; however, the debt related to this asset is reported in Debt Fund 215. The project was funded through a combination of a low interest loan, a grant and an LID, \$38,648.
- P. Prior Period Adjustments - The City transitioned capital asset software over a two year-period. During the transition, the City found several obsolete and/or damaged assets that were not in use or still on the books. These assets were not carried over to the new system. In addition, the new system had a one month variance on depreciation calculation. The net effect of these changes was: Water Fund - \$16,248, Wastewater Fund - \$5,185, Natural Gas - (\$7,659) and Internal Service Funds - \$15,397.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014**

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		\$10,359	2
Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-139	\$430,696	3
Pass-Through King County Department of Community & Human Services:					
U.S. Department of Housing & Urban Development	Community Development Block Grant Program	14.218	5679820	\$97,000	
U.S. Department of Housing & Urban Development	Community Development Block Grant Program	14.218	5517586	\$99,015	
<b>Total Federal Awards Expended</b>				<b><u>\$637,070</u></b>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**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 \$3,465,006 in 2014 for water reservoir improvements. The amount listed is the amount drawn on the loan through fiscal year 2014. Once the project is completed and the asset booked into the system, the full amount of the loan will be reported on the City's Schedule of Long-Term Debt.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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