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, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017610

Washington State Auditor's Office

September 29, 2016

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,

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Enumclaw
King County
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the City of Enumclaw are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2015 through December 31, 2015

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, 2015, 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 22, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 22, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

City of Enumclaw
King County
January 1, 2015 through December 31, 2015

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) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 the Uniform Guidance. 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.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 22, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Enumclaw
King County
January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Street Fund and Transportation Benefit District funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 29, and pension plan information on pages 89 through 92 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 22, 2016 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.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 22, 2016

FINANCIAL SECTION

City of Enumclaw
King County
January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015
Statement of Activities – 2015
Balance Sheet – Governmental Funds – 2015
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2015
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2015
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2015
General and Major Special Revenue Fund Budgetary Comparisons – 2015
Statement of Net Position – Proprietary Funds – 2015
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2015
Statement of Cash Flows – Proprietary Funds – 2015
Statement of Net Position – Fiduciary Funds – 2015
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015
Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Proportionate Share of Net Pension Liability – PERS 1
Proportionate Share of Net Pension Liability – PERS 2/3
Proportionate Share of Net Pension Liability – LEOFF 1
Proportionate Share of Net Pension Liability – LEOFF 2
Proportionate Share of Net Pension Liability – PSERS
Schedule of Employer Contributions – PERS 1
Schedule of Employer Contributions – PERS 2/3
Schedule of Employer Contributions – LEOFF 1

Schedule of Employer Contributions – LEOFF 2
Schedule of Employer Contributions – PSERS

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015. 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 $102,730,156. Of this amount, $8,185,546 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 $2,552,071 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 $5,992,315, an increase of $445,336 in comparison with the prior year. Approximately 24% of this amount ($1,413,995) 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 $3,403,539, or approximately 45% of total general fund expenditures.
- The City of Enumclaw's total outstanding debt decreased by $2,912,152 during the current fiscal year because of annual principal payments that included the payoff of an LID and the Natural Gas GO Bond.

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 $102,730,156 at the close of the most recent fiscal year.

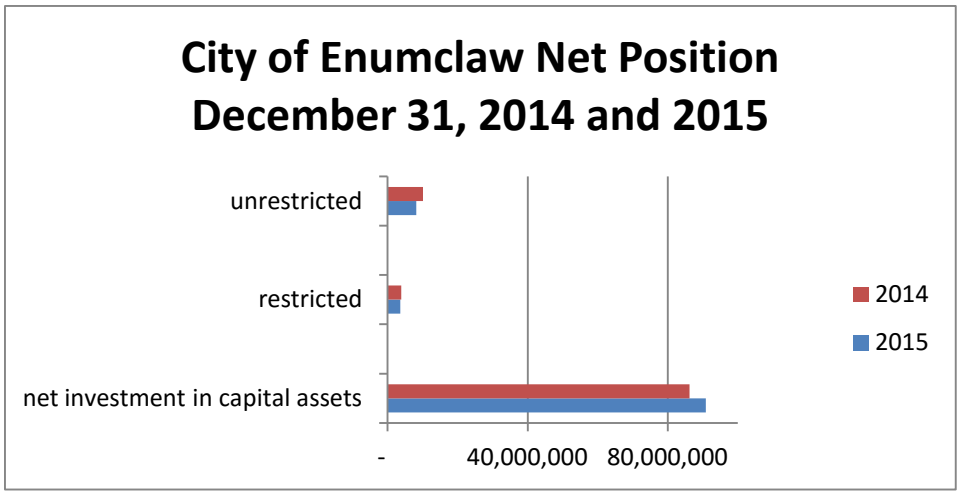
Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current & other assets	$ 12,225,621	$ 10,526,164	$ 7,982,358	$ 7,271,545	$ 20,207,979	$ 17,797,709
Capital Assets	43,319,511	40,828,934	68,919,144	69,736,050	112,238,655	110,564,984
Total assets	55,545,132	51,355,098	76,901,502	77,007,595	132,446,634	128,362,695
Total deferred outflows of resources	465,560	-	253,961	-	-	-
Current liabilities outstanding	1,291,965	1,017,232	4,362,149	4,782,633	5,654,114	5,799,865
Other Liabilities	3,258,157	1,048,669	20,187,344	21,336,074	23,445,501	22,384,743
Total liabilities	4,550,122	2,065,901	24,549,493	26,118,707	29,099,615	28,184,609
Total deferred inflows of resources	1,097,048	-	239,277	-	-	-
Current liabilities						
Net investment in capital assets	43,131,996	40,499,911	47,767,862	45,672,335	90,899,858	86,172,246
Restricted	2,472,280	2,689,395	1,172,473	1,173,822	3,644,753	3,863,217
Unrestricted	4,759,187	6,099,891	3,426,359	4,042,731	8,185,546	10,142,622
Total net position	$ 50,363,463	$ 49,289,197	$ 52,366,694	$ 50,888,888	$ 102,730,157	$ 100,178,086

By far, the largest portion of the City of Enumclaw's net position (89%) 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 $8,185,546 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 almost 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 one exception was the solid waste fund due to the implementation and booking of GASB 68 pension liabilities.

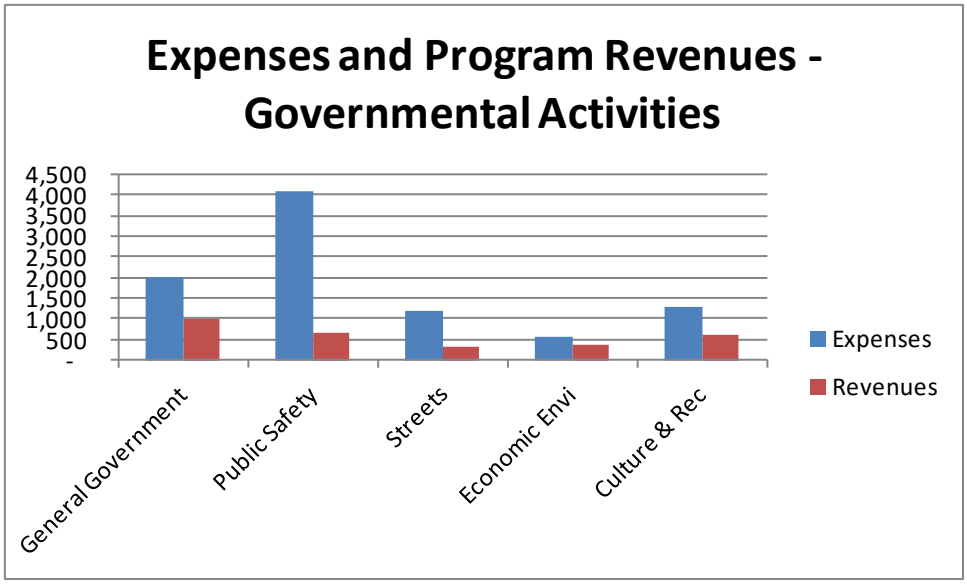


However, the City of Enumclaw's overall net position increased by $2,552,071 from the prior fiscal year. The increase is discussed in the following sections for governmental activities and business-type activities.

Governmental Activities.
During the current fiscal year, net position for governmental activities increased $1,074,266 from the prior fiscal year for an ending balance of $50,363,463. 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	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	$ 2,403	$ 2,330	$ 14,053	$ 13,536	$ 16,456	$ 15,866
Operating grants and contributions	452	190	214	397	666	587
Capital grants and contributions	2,017	391	0	0	2,017	391
General revenues:						
Property taxes	1,796	1,423			1,796	1,423
Other taxes	5,120	4,547			5,120	4,547
Grants and contributions not restricted to specific programs	-	-			-	-
Other	98	89	35		133	89
Total revenues	11,886	8,970	14,302	13,933	26,188	22,903
Expenses:						
General government	2,016	2,048			2,016	2,048
Public Safety	4,081	4,231			4,081	4,231
Streets	1,175	1,215			1,175	1,215
Economic Environment	575	549			575	549
Culture and recreation	1,301	1,390			1,301	1,390
Interest on l-t debt	-	3			-	3
Water			2,154	2,167	2,154	2,167
Wastewater			3,018	2,971	3,018	2,971
Natural Gas			3,545	3,923	3,545	3,923
Solid Waste			1,993	2,034	1,993	2,034
Expo Center			862	996	862	996
Total Expenses	9,148	9,436	11,572	12,091	20,720	21,527
Increase (decrease) in net position before transfers	2,738	(466)	2,730	1,842	5,468	1,376
Transfers	(156)	(361)	156	360	-	(1)
Contributions & Misc	(280)	(913)	240	(394)	(40)	(1,307)
Increase (decrease) in net position	2,304	(1,740)	3,126	1,808	5,430	68
Net position-beginning	48,060	51,030	49,210	49,029	97,270	100,059
Prior period adjustment			29	52	29	52
Net position-ending	$ 50,364	$ 49,290	$ 52,366	$ 50,889	$ 102,729	$ 100,179



Business-type Activities

Net position increased by $1.48 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 increased $517 thousand in the utility funds due to rate increases based on CPI in water, natural gas, and solid waste. In addition, wastewater rates increased by 5% and the natural gas tax was restored to 6% (from 5%). Natural gas is the largest City program with 31% of business-type expense and 17% 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.

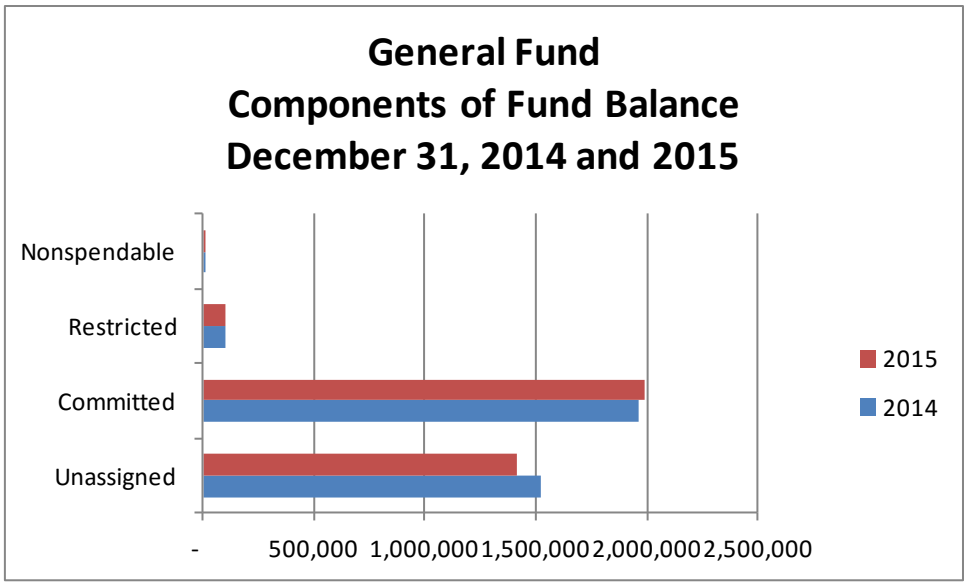
Financial Analysis of the Government's Funds

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

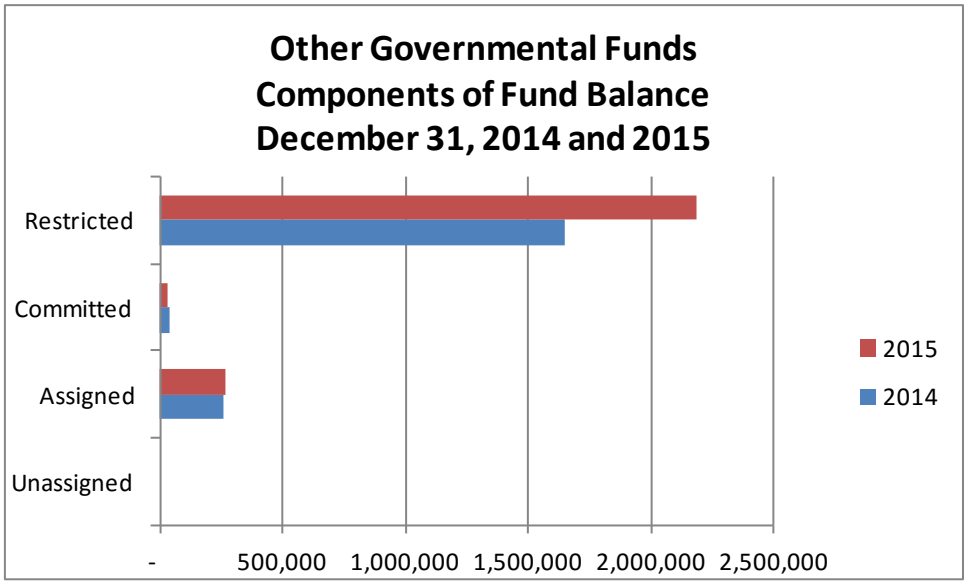
Governmental Funds

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, 2015 the City's governmental funds reported combined fund balances of $5,592,315 an increase of $445,336 in comparison with the prior year. Approximately 24% of this amount ($1,413,995) 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 ($2,282,812), 3) committed for particular purposes ($2,019,836) or 4) assigned for particular purposes ($265,673).



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 $1,413,995 while total fund balance decreased to $3,513,538. 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 19% of total general fund expenditures, while total fund balance represents approximately 46% of that same amount.



Taxes are the most significant source of governmental revenues, representing 58% of total governmental operating revenues and 71% 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. Taxes have reached pre-recession levels but are expected to level off.

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 2015 for these two funds totaled $387 thousand, an increase of $148 thousand from 2014. In recent years REET dollars have been used for grant matching funds and small capital projects.

Expenditures

Public safety (police) comprise 55% 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 27% of total expenditures, up 5% from 2014. Cultural services include the parks and recreation programs, the pool, and cemetery. They represent another 11% of expenditures. Capital expenditures comprise 20% of governmental expenditures in 2015, a 16% increase due to Street projects.

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 $3.4 million. Total growth in net position for these funds was $1.5 million, mainly due to overall cost savings.

General Fund Budgetary Highlights

For 2015, the final general fund budget was $9.2 million and actual operations were $8.9 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 2014.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

Actual operating revenues were $401 thousand over the final budget. Actual operating expenditures were $227 thousand under final budget amounts.

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	$ 313,800	$ 432,087	$ 118,287
Sales & Use Tax	2,136,075	2,313,128	177,053
Charges for services	1,449,232	1,501,548	52,316
Property Tax	1,766,433	1,766,621	188

Capital Asset and Debt Administration

Capital Assets

At the end of 2015, the City had invested $112 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	
	2015	2014	2015	2014	2015	2014
Land	$ 8,210	$ 8,210	$ 3,708	$ 3,708	$ 11,918	$ 11,918
Buildings	1,966	2,057	14,921	15,487	16,887	17,544
Improvements	29,341	28,418	47,494	48,255	76,835	76,673
Machinery	1,758	1,864	1,534	1,605	3,292	3,469
Construction in Progress	2,044	279	1,263	681	3,307	960
Total	$ 43,319	$ 40,828	$ 68,920	$ 69,736	$ 112,239	$ 110,564

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

- Water Reservoir, Semanski Street Overlay, and 410 Corridor projects.

Long-term Liabilities

At year-end, City outstanding liabilities, including compensated absences, had decreased 14%. 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 2015.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2013
General Obligation Bonds	$ 157	$ 216	$ -	$ 175	$ 157	$ 391
Special Assessments	-	49	-	-	-	49
Capital Leases	-	3	-	-	-	3
Revenue Bonds	-	-	6,220	7,125	6,220	7,125
Governmental Loans	31	62	14,857	16,678	14,888	16,740
Compensated Absences	809	808	274	285	1,083	1,093
Total	$ 997	$ 1,138	$ 21,351	$ 24,263	$ 22,348	$ 25,401

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

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

Calculation of Legally Available Debt

		Total assessed value	$ 1,140,181,507	
Allowable general purpose indebtedness (legal limit 2.5% of taxable property value)				28,504,538
Unvoted indebtedness incurred (less assets available)			63,409	
Voted indebtedness incurred (less assets available)			-	
Total debt incurred				63,409
Legally available debt capacity	-	General Purposes		28,441,129
	-	Utility Purposes		24,505,985
	-	Open Space & Parks Purposes		28,504,538
Total legally available debt capacity				$ 81,451,651

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 2015, the City took the 1% property tax increase as allowed by RCW. The solid waste utility rate increased by 2% to meet increasing disposal cost of King County, while Water and Wastewater had modest increases of 2.1% and 5% respectively. The natural gas utility rate increased by 2% and utility tax reinstated to 6%.

Contacting the City's Financial Management

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

CITY OF ENUMCLAW
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Current assets:			
Cash and cash equivalents	$ 812,487	$ 395,118	$ 1,207,605
Investments	7,750,920	3,930,915	11,681,835
Receivable (net allowance for uncollectible)	856,218	1,756,702	2,612,920
Due from Other Gov't Units	270,946	-	270,946
Due from Other Funds	913,553		913,553
Inventories	-	183,522	183,522
Other Receivables	921,580	-	921,581
Total current assets	11,525,704	6,266,257	17,791,961
Noncurrent assets:			
Restricted cash	-	156,880	156,880
Investments	-	1,559,221	1,559,221
Net Pension Asset	699,917		699,917
Capital assets (net of accumulated depreciation):			
Land	8,210,077	3,707,569	11,917,646
Buildings	1,966,374	14,920,730	16,887,104
Improvements	29,341,339	47,494,171	76,835,510
Machinery and equipment	1,757,686	1,533,737	3,291,423
Construction work in progress	2,044,035	1,262,937	3,306,972
Total noncurrent assets	44,019,428	70,635,245	114,654,673
Total assets	55,545,132	76,901,502	132,446,634
Deferred Outflows of Resources			
Deferred outflows of pensions	465,560	253,961	719,521
Total Assets and Deferred Outflows of Resources	56,010,692	77,155,463	133,166,155
LIABILITIES			
Current liabilities:			
Accounts payable	442,207	565,107	1,007,314
Due To Other Funds	128,553	785,000	913,553
Other liabilities	349,676	166,219	515,895
Current portion:			-
Bonds payable	60,989	935,000	995,989
Special assessments w/ gov't commitments	-	-	-
Long-term liabilities	30,782	1,820,563	1,851,345
Compensated absences	279,756	90,260	370,016
Total current liabilities	1,291,963	4,362,149	5,654,112
Noncurrent liabilities:			
Bonds payable (net of amortized discount)	95,683	5,358,389	5,454,072
Special assessments debt	-	-	-
Other L-T liabilities (OPEB, Loans, Lease)	437,034	13,037,346	13,474,380
Net Pension Liability	2,196,655	1,608,354	3,805,009
Compensated absences	528,846	183,255	712,101
Total noncurrent liabilities	3,258,218	20,187,344	23,445,562
Total liabilities	4,550,181	24,549,493	29,099,674
Deferred Inflows of Resources			
Deferred inflows of taxes	574,595		574,595
Deferred inflows of pensions	522,453	239,277	761,730
Total Liabilities and Deferred Inflows of Resources	5,647,229	24,788,770	30,435,999
NET POSITION			
Invested in capital assets, net of related debt	43,131,996	47,767,862	90,899,858
Restricted			-
Expendable			-
Capital projects	1,625,003	57,250	1,682,253
Civic and recreation	53,364	-	53,364
Debt service	121,753	1,115,223	1,236,976
Public safety	92,527	-	92,527
Nonexpendable			-
Permanent	579,633	-	579,633
Unrestricted	4,759,187	3,426,359	8,185,546
Total net position	$ 50,363,463	$ 52,366,694	$ 102,730,156

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

CITY OF ENUMCLAW
Statement of Activities
For the Year Ended December 31, 2015

Functions/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government:							
Governmental activities:							
General government	$ 2,015,560	$ 724,849	$ 650	$ -	$ (1,290,061)	$ -	$ (1,290,061)
Public safety	4,080,798	$ 490,496	149,786	3,446	(3,437,071)	-	(3,437,071)
Transportation	1,174,729	5,630	234,110	1,918,646	983,656	-	983,656
Economic environment	575,108	736,860	22,018	-	183,770	-	183,770
Culture and recreation	1,300,791	444,743	45,914	95,156	(714,978)	-	(714,978)
Interest & other debt service costs	-	-	-	-	-	-	-
Total governmental activities	9,146,986	2,402,578	452,477	2,017,247	(4,274,684)	-	(4,274,684)
Business-type activities:							
Water	2,153,824	3,441,770	190,388	-	-	1,478,334	1,478,334
Wastewater	3,017,964	4,402,409	-	-	-	1,384,445	1,384,445
Natural Gas	3,544,596	3,891,831	-	-	-	347,235	347,235
Solid Waste	1,992,504	2,076,816	23,978	-	-	108,290	108,290
Expo Center	861,669	239,767	-	-	-	(621,902)	(621,902)
Total business-type activities	11,570,557	14,052,593	214,366	-	-	2,696,402	2,696,402
Total primary government	$ 20,717,543	$ 16,455,171	$ 666,843	$ 2,017,247	$ (4,274,684)	$ 2,696,402	$ (1,578,282)
	General Revenues:						
	Taxes:						
	Property Taxes				1,796,116	-	1,796,116
	Retail Sales and Use Taxes				2,313,129	-	2,313,129
	Utility Taxes				1,895,082		1,895,082
	Other Taxes				911,554	-	911,554
	Unrestricted investment earnings				98,477	35,956	134,433
	Special Item, Pension, Misc				(280,445)	239,743	(40,702)
	Transfers				(155,710)	155,711	1
	Total General Revenues, Special Items and Transfers				6,578,202	431,410	7,009,613
	Change in Net Position				2,303,520	3,127,813	5,431,333
	Net Position - Beginning, as restated				48,059,941	49,210,234	97,270,175
	Special Item				-	28,649	28,649
	Net Position - Ending				$ 50,363,463	$ 52,366,694	$ 102,730,157

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

CITY OF ENUMCLAW
Balance Sheet
Governmental Funds
December 31, 2015

	General	Street	Transportation Benefit District Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 358,919	$ (41,807)	$ 13,735	$ 201,053	$ 531,900
Investments at fair value	3,239,292	(414,820)	136,283	1,994,907	4,955,663
Receivable (net allowance)	67,932	273,825	-	509,951	851,708
Intergovernmental receivable	270,946	758,413	-	-	1,029,359
Due From other Funds	-	-	-	-	-
Prepaid Accounts	9,999	-	-	-	9,999
	-	-	-	-	-
Total assets	$ 3,947,089	$ 575,611	$ 150,018	$ 2,705,911	$ 7,378,629
LIABILITIES					
Accounts payable	71,244	285,614	4,544	5,163	366,565
Interfund Loan Payable	-	-	-	128,553	128,553
Due to other retirement systems	-	-	-	-	-
Other liabilities	272,770	24,324	26	19,480	316,600
Total liabilities	344,014	309,938	4,570	153,196	811,718
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	89,537	-	-	-	89,537
Unavailable Revenue - Special Assessments	-	-	-	485,058	485,058
Total Deferred Inflows of Resources	89,537	-	-	485,058	574,595
FUND BALANCE					
Nonspendable					
Prepaid Expenses	9,999	-	-	-	9,999
Restricted					
Law Enforcement	100,000	-	-	92,526	192,526
Tourism	-	-	-	23,072	23,072
Capital Improvements	-	-	145,448	1,213,881	1,359,329
Cemetery	-	-	-	453,537	453,537
Library				125,796	125,796
LID Debt Service	-	-	-	128,552	128,552
Committed					
Economic Stabilization	321,694	-	-	-	321,694
Property Management	1,667,850	-	-	-	1,667,850
Parks & Recreation	-	-	-	30,292	30,292
Assigned	-				
Parks & Recreation	-	-	-	-	-
Streets	-	265,673	-	-	265,673
Unassigned	1,413,995	-	-	-	1,413,995
Total fund balances	3,513,538	265,673	145,448	2,067,657	5,992,315
Total liabilities and fund balances	$ 3,947,089	$ 575,611	$ 150,018	$ 2,705,911	$ 7,378,629

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, 2015

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

Total Fund Balances - Governmental Funds	$ 5,992,315
Capital and other assets used in governmental activities are not financial resources and therefore not reported as assets in the funds.	41,611,169
Net Pension Asset	699,917
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.	4,986,149
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.	378,080
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.	(440,031)
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	153,168
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds and other financing contracts payable	(187,454)
Compensated absences	(750,178)
Other post employment benefit obligations	(437,095)
Net Pension Liability	(1,642,579)
Net Position of Government Activities	$ 50,363,463

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, 2015

	General	Street	Transportation Benefit District Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 6,285,794	$ 234,110	$ 225,323	$ 397,593	$ 7,142,819
Licenses and permits	432,087	3,670	-	-	435,757
Intergovernmental revenue	295,595	1,414,848	503,797	-	2,214,241
Charges and services	1,503,518	19,073	-	568,955	2,091,546
Fines and forfeits	137,164	-	-	101	137,265
Miscellaneous revenues	154,785	1,723	351	180,029	336,889
Total revenues	8,808,942	1,673,424	729,472	1,146,678	12,358,517
EXPENDITURES					
Current:					
General government services	2,086,731	-	-	-	2,086,731
Public safety	4,206,438	-	-	16,835	4,223,273
Economic environment	597,984	-	-	-	597,984
Transportation	-	751,963	26,043	-	778,005
Cultural and recreation	723,018	-	-	495,804	1,218,822
Debt service:	-				-
Redemption of general long-term debt	-	30,782	-	146,100	176,882
Interest and other debt service cost	-	564	-	24,192	24,756
Capital outlay	32,521	1,639,589	593,605	53,286	2,319,001
Total expenditures	7,646,692	2,422,897	619,648	736,217	11,425,454
Excess (deficiency) of revenues Over (under) expenditures	1,162,250	(749,473)	109,824	410,461	933,063
OTHER FINANCING SOURCES (USES)					
Other Finance Sources	-	-	-	-	-
Transfers in	0	1,008,791	-	591,300	1,600,091
Transfers out	(1,246,080)	-	-	(841,738)	(2,087,818)
Total other financing sources and (uses)	(1,246,080)	1,008,791	-	(250,438)	(487,727)
Net change in fund balances	(83,830)	259,318	109,824	160,023	445,336
Fund balances - beginning	3,597,369	6,355	35,624	1,907,632	5,546,980
Prior Period	-	-	-	-	-
Fund balances - ending	$ 3,513,540	$ 265,672	$ 145,448	$ 2,067,655	5,992,315

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, 2015

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

Net Change in Fund Balances - total Governmental Funds	$	445,336
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.		1,493,717
The net effect of various miscellaneous transactions involving capital assets (i.e. surplus and donations) is to reduce net position.		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(65,163)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		201,636
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consists of:		
Change in Compensated Absences		7,946
Change in Other Postemployment Benefits		(436,670)
Change in Net Pensions Obligation or Asset		138,709
Change in Other obligations		(24,948)
		(314,963)
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.		542,957
Change in Net Position of Governmental Activities	$	2,303,520

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, 2015

	Budgeted Amounts		Actual Budget Basis	Budget Basis To GAAP Basis Differences	Actual GAAP Basis
	Original	Final			
REVENUES					
Taxes:					
Property	$ 1,766,433	$1,766,433	$1,766,621	$ -	$ 1,766,621
Retail sales and use	2,136,075	2,136,075	2,313,129		2,313,129
Interfund utility	972,929	972,929	974,176		974,176
Business & Occupation	1,285,179	1,285,179	1,231,867		1,231,867
Licenses and permits	313,800	313,800	432,087		432,087
Intergovernmental revenue	177,435	177,435	295,595	-	295,595
Charges for services	1,506,933	1,449,232	1,503,518	-	1,503,518
Fines and forfeits	165,000	165,000	137,164	-	137,164
Miscellaneous revenues	60,890	138,590	152,336	2,450	154,786
	-	-	-	-	-
Total revenues	8,384,674	8,404,673	8,806,492	2,450	8,808,942
EXPENDITURES					
General Government	2,002,591	1,888,208	2,086,731		2,086,731
Public Safety	4,165,559	4,269,999	4,206,438		4,206,438
Economic Environment	540,996	640,593	597,984	-	597,984
Transportation	-	-	-	-	-
Cultural & Recreation	1,042,295	1,037,296	723,018	-	723,018
Capital Outlay	38,157	38,157	32,521		32,521
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	7,789,598	7,874,254	7,646,692	-	7,646,692
Excess of revenues over (under) expenditures	595,076	530,419	1,159,800	2,450	1,162,250
					-
OTHER FINANCING SOURCES (USES)					-
Other financing sources	-	-	-		-
Transfer in	20,000	-	-	-	-
Transfers out	(1,325,063)	(1,352,763)	(1,246,080)	-	(1,246,080)
Total other financing sources (uses)	(1,305,063)	(1,352,763)	(1,246,080)	-	(1,246,080)
Net change in fund balances	(709,987)	(822,344)	(86,280)	2,450	(83,830)
Fund balance - beginning	3,270,276	3,287,753	3,278,126	319,244	3,597,370
Prior Period			-		-
Fund balance - ending	$ 2,560,289	$2,465,409	$3,191,846	$ 321,694	$ 3,513,540

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

Special Revenue Funds - Budget Basis	Contingency Fund	Net Changes in Fund Balance Budget Basis to GAAP Basis
Revenues	$ 2,450	$ 2,450
Expenditures	-	-
Other Financing Sources (Uses), Net	-	-
Net Change in Fund Balance	2,450	2,450
Fund Balance - Beginning of Year	319,244	314,399
Fund Balance - End of Year	$ 321,694	$ 321,694

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	GAAP Basis	(Negative)
REVENUES				
Intergovernmental revenue	1,720,967	1,720,967	1,648,958	(72,009)
Charges for services	7,500	7,500	19,073	11,573
Miscellaneous revenues	3,500	3,500	5,393	1,893
Total revenues	1,731,967	1,731,967	1,673,423	(58,543)
EXPENDITURES				
Transportation	761,770	795,321	751,963	43,358
Capital Outlay	1,758,954	1,904,336	1,639,589	264,747
Debt service:				
Redemption of general long-term debt	30,782	30,782	30,782	-
Interest and other debt service cost	615	615	564	51
Total expenditures	2,552,121	2,731,054	2,422,897	308,157
Excess of revenues over(under) expenditures	(820,154)	(999,087)	(749,474)	249,614
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	-	-	-
Transfer in	863,409	1,008,791	1,008,791	-
Transfers out	-	-	-	-
Total other financing sources (uses)	863,409	1,008,791	1,008,791	-
Net change in fund balances	43,255	9,704	259,317	249,613
Fund balance - beginning	27,339	6,434	6,355	(79)
Prior Period Adjustment			-	
Fund balance - ending	$ 70,594	$ 16,138	$ 265,672	$ 249,533

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	GAAP Basis	(Negative)
REVENUES				
Taxes				
Transportation Benefit Fees	210,000	210,000	225,323	15,323
Intergovernmental revenues	504,926	504,926	503,797	(1,129)
Miscellaneous revenues	-	-	351	351
Total revenues	714,926	714,926	729,472	14,546
EXPENDITURES				
Transportation	80,261	80,261	26,043	54,218
Capital Outlay	600,419	600,419	593,605	6,814
Total expenditures	680,680	680,680	619,649	61,032
Excess of revenues over(under) expenditures	34,246	34,246	109,823	(46,486)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	-	-	-
Transfer in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	34,246	34,246	109,823	75,577
Fund balance - beginning	46,435	35,707	35,623	(84)
Prior Period Adjustment			-	
Fund balance - ending	$ 80,681	$ 69,953	$ 145,448	$ 75,493

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, 2015

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
ASSETS	**Water**	**Wastewater**	**Natural Gas**	**Solid Waste**	**Expo Center**	**Totals**	
Current assets:							
Cash and cash equivalents	$ 98,510	$ 111,943	$ 139,290	$ 15,971	$ 29,404	$ 395,118	$ 280,587
Investments at fair value	982,334	1,116,290	1,382,071	158,466	291,754	3,930,915	2,795,258
Receivable (net allowance)	338,847	455,543	734,766	226,526	1,020	1,756,702	4,510
Interfund receivables	-	-	-	-	-	-	-
Due from other Gov Units	-	-	-		-	-	-
Inventories	65,508	-	118,014	-	-	183,522	-
Total current assets	1,485,200	1,683,776	2,374,140	400,963	322,177	6,266,257	3,080,355
Noncurrent assets:							
Restricted cash	121,072	33,695	2,114	-	-	156,880	-
Restricted investments	1,203,918	334,329	20,974	-	-	1,559,221	-
Interfund loan receivables	-	-	-	-	-	-	913,553
Deferred Outflow - Pension	78,453	62,277	67,579	45,652		253,961	87,480
Capital assets (net of accumulated depreciation)			-	-	-	-	-
Land	58,855	2,035,866	2,475	375	1,610,000	3,707,569	375
Buildings	741,876	11,914,110	16,580	-	2,248,164	14,920,730	-
Improvements	22,869,317	19,514,816	3,994,590	2,796	1,112,653	47,494,171	324,372
Machinery and equipment	195,978	998,504	235,991	14	103,250	1,533,737	1,318,182
Construction in progress	644,719	230,098	388,120	-	-	1,262,937	65,413
Total noncurrent assets	25,914,186	35,123,694	4,728,423	48,837	5,074,067	70,889,207	2,709,375
Total assets	$ 27,399,386	$ 36,807,470	$ 7,102,564	$ 449,800	$ 5,396,245	$ 77,155,464	$ 5,789,731
LIABILITIES							
Current liabilities:							
Accounts payable	15,431	55,950	412,168	81,464	94	565,107	75,642
Other accrued liabilities	34,261	38,814	65,188	25,851	2,105	166,219	33,076
Interfund Loan Payable	210,000	575,000	-	-	-	785,000	-
Current bonds payable	668,360	266,640	-			935,000	
Current other liabilities	433,293	1,428,361	33,439	15,715	-	1,910,807	19,281
Total current liabilities	1,361,345	2,364,764	510,795	123,030	2,199	4,362,133	127,999
Noncurrent liabilities:	-	-	-	-	-	-	-
Bonds payable (net of amortized discount)	666,792	4,691,597	-	-	-	5,358,389	-
Long-term Compensated absences	36,257	47,200	67,891	31,907	-	183,255	39,145
Deferred Inflows - Pensions	73,917	58,676	63,672	43,012		239,277	82,422
Net Pension Liability	496,848	394,405	427,984	289,117		1,608,354	554,015
Other long-term liabilities	1,217,561	11,819,785	-	-	-	13,037,346	-
Total noncurrent liabilities	2,491,375	17,011,663	559,547	364,036	-	20,426,621	675,582
Total liabilities	3,852,720	19,376,428	1,070,341	487,066	2,199	24,788,754	803,581
NET POSITION							
Invested in capital assets, net of related debt	21,542,595	16,510,258	4,637,756	3,185	5,074,067	47,767,862	1,708,341
Restricted for debt service	747,199	368,024	-	-	-	1,115,223	-
Restricted for construction	-	-	57,250	-	-	57,250	-
Unrestricted	1,256,866	552,750	1,337,217	(40,451)	319,978	3,426,359	3,277,808
Total net position	$ 23,546,661	$ 17,431,032	$ 6,032,222	$ (37,266)	$ 5,394,045	$ 52,366,694	$ 4,986,149

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

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Water	Wastewater	Natural Gas	Solid Waste	Expo Center	Totals	
Operating revenues:							
Customer sales and service fees	$ 3,141,652	$ 4,135,296	$ 3,803,073	$ 2,047,951	$ 68,851	$13,196,824	$ 1,936,997
Other charges for service	-	-	-	-	-	-	26,344
Other operating revenue	300,118	267,113	88,757	28,865	170,916	855,769	36,941
Total operating revenues	3,441,770	4,402,409	3,891,831	2,076,816	239,767	14,052,593	2,000,282
Operating expenses:							
General administration	421,995	554,759	508,208	250,117	372,709	2,107,787	90,133
General operations	780,849	718,388	758,105	1,395,142	29,183	3,681,668	1,204,951
Gas purchased for resale	-	-	1,758,845	-	-	1,758,845	-
Maintenance	-	180,981	-	-	-	180,981	-
Depreciation and amortization	543,682	1,137,050	161,285	699	459,777	2,302,493	248,431
Insurance and payment on claims	-		-	-	-	-	299,775
Taxes	407,297	426,785	358,153	346,546	-	1,538,782	-
Total operating expenses	2,153,824	3,017,964	3,544,596	1,992,504	861,669	11,570,556	1,843,290
Operating income (loss)	1,287,946	1,384,445	347,235	84,312	(621,902)	2,482,037	156,992
Nonoperating revenues (expenses):							
Investment interest	10,649	8,823	13,019	847	2,618	35,956	36,457
Intergovernmental	190,388	-	-	23,978	-	214,366	-
Gain (Loss) from sale of Capital Assets	-	-	-	-	-	-	17,516
Interest expense and related charges	(97,898)	(310,189)	(6,125)	-	-	(414,212)	-
Total nonoperating revenue (expense)	103,139	(301,365)	6,894	24,825	2,618	(163,890)	53,973
Income (loss) before contributions and transfers	1,391,085	1,083,080	354,129	109,137	(619,284)	2,318,147	210,965
Transfers in	-	-			155,711	155,711	332,017
Capital Asset contributions	272,000	312,000	69,955	-	-	653,955	-
Transfers out	-	-	-	-	-	-	-
Change in net position	1,663,085	1,395,080	424,084	109,137	(463,573)	3,127,813	542,982
Net Position - Beginning, as restated	21,844,927	16,035,954	5,618,139	(146,404)	5,857,618	49,210,234	4,443,169
Special Item	38,649		(10,000)	-		28,649	
Prior Period Correction						-	-
Net Position - Ending	$23,546,661	$ 17,431,032	$ 6,032,223	$ (37,266)	$ 5,394,044	$52,366,694	$ 4,986,151

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, 2015

	Business-type Activities - Enterprise Funds						Gov'tal Activities Internal Srvc Funds
	Water	Wastewater	Natural Gas	Solid Waste	Expo Center	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	$ 3,128,221	$ 4,103,391	$ 3,657,176	$ 2,049,896	$ 68,851	$ 13,007,535	$ 1,938,453
Receipts for miscellaneous revenue	300,118	267,113	88,757	28,865	170,916	855,769	63,284
Payments for insurance and claims	-	-	-	-	-	-	(299,775)
Payments for merchandise	-	-	(1,758,845)	-	-	(1,758,845)	-
Payments for wages and operating expenses	(1,686,945)	(1,878,218)	(1,573,860)	(2,008,971)	(434,632)	(7,582,626)	(1,273,280)
Net cash provided (used) by operating activities	1,741,394	2,492,286	413,228	69,790	(194,864)	4,521,834	428,683
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES							
Interfund loans	(90,000)	(225,000)	-	-	-	(315,000)	321,799
Grant receipts	190,388	-	-	23,978	-	214,366	-
Interfund transfers	-	-	-	-	155,711	155,711	332,017
Net cash (used) by capital financing activities	100,388	(225,000)	-	23,978	155,711	55,077	653,816
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Payments for interest	(97,898)	(310,189)	(16,125)	-	-	(424,213)	-
Proceeds of fixed asset disposal	-	-	-	-	-	-	17,516
Capital debt proceeds	-	-	-	-	-	-	-
Principal payment on bonds	(644,490)	(249,380)	(175,000)	-	-	(1,068,870)	-
Principal payments on notes	(376,787)	(1,405,113)	-	-	-	(1,781,900)	-
Purchases of capital assets	(130,982)	(358,757)	(344,225)	-	-	(833,965)	(412,965)
Capital Contributions				-	-	-	
Net cash (used) by capital financing activities	(1,250,158)	(2,323,439)	(535,350)	-	-	(4,108,948)	(395,449)
Cash Flows From Investing Activities							
Sale (purchase) of investments	(602,472)	(7,701)	48,427	(88,399)	22,226	(627,919)	(730,395)
Interest and dividends on investments	10,649	8,823	13,019	847	2,618	35,956	36,457
Net cash provided (used) in investment activities	(591,823)	1,123	61,445	(87,553)	24,844	(591,963)	(693,938)
Net increase in cash and equivalents	(198)	(55,031) #	(60,676) #	6,215 #	(14,309) #	(124,000)	(6,888)
Cash - beginning of year	219,779	200,669	202,079	9,755	43,713	675,995	287,477
Cash - end of year	$ 219,582	$ 145,638	$ 141,404	$ 15,971	$ 29,404	$ 551,999	$ 280,588
Cash at end of year consists of							-
Operating cash	$ 98,510	$ 111,943	$ 139,290	$ 15,971	$ 29,404	$ 395,118	280,588
Restricted cash	121,072	33,695	2,114	-	-	156,880	-
Total cash at end of year	$ 219,582	$ 145,638	$ 141,404	$ 15,971	$ 29,404	$ 551,999	$ 280,588

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

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

Operating income (loss)	$ 1,287,946	$ 1,384,445	$ 347,235	$ 84,312	$ (621,902)	$ 2,482,036	$ 156,991
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation	543,682	1,137,050	161,285	699	459,777	2,302,493	248,431
Accumulated long-term leave liability	(42,079)	(20,108)	(20,131)	(16,147)	(7,276)	(105,741)	(23,623)
Change in assets and liabilities:							
(Increase) decrease in accounts receivable other	(13,431)	(31,905)	(145,898)	1,945	0	(189,289)	1,456
(Increase) decrease in inventory of supplies	(6,693)	-	(4,161)	-	-	(10,854)	7,711
Increase (decrease) in vouchers and claims payable	(28,031)	22,804	74,898	(1,019)	(25,464)	43,188	37,716
Net cash provided (used) by operating activities	$ 1,741,393	$ 2,492,286	$ 413,228	$ 69,790	$ (194,865)	$ 4,521,833	$ 428,681
Non Cash Investing, Capital and Financing Activities:							
Capital Contributions by Developers	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Prior Period Adjustments/Special Items	38,649	-	-	-	-	38,649	
Total Non Cash Investing, Capital and Financing Activities.	$ 38,649	$ -	$ -	$ -	$ -	$ 38,649	$ -

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

CITY OF ENUMCLAW
Statement of Net Position
Fiduciary Funds
December 31, 2015

	Schlotfeldt Library Trust Fund	Deposit Holding Agency Fund
ASSETS		
Cash and cash equivalents	$ 2,400	$ 20,977
Investments at fair value	23,816	208,138
Receivable (net)	-	-
Total assets	26,216	229,115
LIABILITIES		
Accounts payable	-	58,439
Other liabilities	-	170,676
Total liabilities	-	229,115
NET POSITION		
Net position held in trust for library and other purposes	$ 26,216	$ 0

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

CITY OF ENUMCLAW
Statement of Changes in Net Position
Private Purpose Trust Fund
For the Year Ended December 31, 2015

	Library
ADDITIONS	
Contributions:	
Other sources	$ 200
Total contributions	200
DEDUCTIONS	
Supplies	-
Total deductions	-
Change in net position held in trust for:	200
Net Position - beginning	26,016
Net Position - ending	$ 26,216

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

Notes to the Financial Statements
December 31, 2015

NOTE 1 – Summary of Significant Accounting Polices

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 and a .1% sales tax effective April 1, 2016. Separately issued financial statements are available from the City of Enumclaw Finance Director.

Industrial Development Corporation of the City of Enumclaw (IDC), a public corporation whose purpose is to issue tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the City. The corporation may construct and maintain industrial facilities, which it can lease or sell to industrial users. Revenue bonds issued by the corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the City or a lien on any of its properties or revenues other than industrial facilities for which they are used.

The City's seven member Council governs the Industrial Development Corporation. There are no financial transactions of the IDC to report on.

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. The operation of the exposition center was contracted out to Enumclaw Expo & Events Association in July of 2015.

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 31st. 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 $6,700. 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:

Asset Category	**Useful Life (years)**
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 category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to pensions.

In addition to liabilities, the Balance Sheet and Statement of Net Position 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. Deferred inflows of resources reported by the City relate to unavailable revenue and pensions. The governmental funds report unavailable revenue 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 31st 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 2015 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 2015 was $1.56 per $1,000 of assessed valuation of $1,140,851,503 for a total regular levy of $1,771,332.

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 form 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.

I. Pensions

The 2015 financial statements have been presented in accordance with the new GASB No. 68 – Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. Beginning Net Position has been restated by $2,907,910 to account for this change in accounting policy.

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

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 $41,611,168 are as follows:

Land	$ 8,209,701
Construction in Progress	1,978,622
Buildings	4,153,188
Less: Accumulated Depreciation - buildings	(2,186,813)
Improvements	39,558,426
Less: Accumulated Depreciation - improvements	(10,541,459)
Machinery & Equipment	1,460,260
Less: Accumulated Depreciation - machinery & equipment	(1,020,757)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$ 41,611,168

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 $4,986,149.

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 $3,017,245 difference are as follows:

Bonds Payable	$ 187,454
Compensated Absences	750,178
Other Post Employment Benefit Obligations	437,034
Net Pension Liability	1,642,579
	-
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$ 3,017,245

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 $1,493,717 difference are as follows:

Capital Outlay	$ 2,319,001
Depreciation Expense	(825,284)
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at changes in net position of governmental funds	$ 1,493,717

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	$	7,946

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 Change in Net Revenue	$	542,982

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 – The Solid Waste Fund has a deficit fund equity due to the booking of the GASB 68 Pension Liability.

C. Welcome Center Construction Fund was closed in 2015 and the balance returned equally to the REET funds.

Note 4. Detailed Notes on all Activities and Funds

A. Cash Deposits with Financial Institutions

On December 31, 2015, the carrying amount of the City's deposits was $1,387,862 and the total bank balance was $1,376,218.37. The $11,643.62 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, 2015, the City's total deposits and cash equivalents consisted of the following:

Operating Accounts	$ 1,376,218
Petty Cash	11,644
Total Cash & Cash Equivalents	$ 1,387,862

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):

Authorized Investment Type	Maximum Portfolio%
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 my 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, 2015, the City had the following investments:

Investment Type	Fair Value
U.S. Treasuries	$ 7,043,474
Local Gov't Investment Pool	6,427,242
Tota Fair Value	$ 13,470,717

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, 2015 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	General	Street	Nonmajor Governmental	Enterprise	Internal Service	Total
Accounts	$ 67,932	$ 273,825	$ 24,893	$ -	$ 4,510	$ 371,160
Property Taxes	89,537	-	-	-	-	89,537
Sales Tax	181,409	-	-	-	-	181,409
Special Assessments	-	-	485,000	-	-	485,000
Loans	-	-	-	-	913,553	913,553
Water	-	-	-	338,847	-	338,847
Wastewater	-	-	-	455,543	-	455,543
Natural Gas	-	-	-	734,766	-	734,766
Solid Waste	-	-	-	226,526	-	226,526
Expo	-	-	-	1,020	-	1,020
Total Receivables	$ 338,879	$ 273,825	$ 509,893	$ 1,756,702	$ 918,063	$ 3,797,361

Based on the payment schedule for special assessments receivables, $485,057 of the amount reported in the debt service fund is not expected to be collected within the next year. Also, approximately $467,406 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, 2015, was as follows:

Governmental Activities:	Balance January 1, 2015	Increases	Decreases	Balance December 31,2015
Capital assets, not being depreciated:				
Land	$ 8,210,077	$ -	$ -	$ 8,210,077
Construction-in-progress	279,169	1,769,596	-	2,048,765
Total capital assets, not being depreciated	8,489,246	1,769,596	-	10,258,842
Capital assets, being depreciated:				
Buildings	4,153,188	-	-	4,153,188
Improvements	38,376,133	1,581,508	-	39,957,640
Machinery & Equipment	6,192,838	201,858	(127,439)	6,267,258
Total capital assets, being depreciated	48,722,159	1,783,366	(127,439)	50,378,086
		3,552,963		
Less accumulated depreciation for:				
Buildings	(2,095,835)	(112,690)		(2,208,524)
Improvements	(9,957,655)	(655,024)	-	(10,612,679)
Machinery & Equipment	(4,328,980)	(310,376)	143,142	(4,496,214)
Total accumulated depreciation	(16,382,470)	(1,078,090)	143,142	(17,317,417)
Total capital assets being depreciated, net	32,339,689	705,277	15,703	33,060,669
Governmental activities capital assets, net	$ 40,828,935	$ 2,474,873	$ 15,703	43,319,511

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

Governmental Activities:	
General Government	$ 33,446
Public Safety	148,460
Economic Environment	1,125
Transportation	462,665
Culture & Recreation	183,588
Internal Services	248,805
Total depreciation expense - governmental activities	$ 1,078,089

Business-type activities	Balance January 1, 2015	Increases	Decreases	Balance December 31,2015
Capital assets, not being depreciated:				
Land	$ 3,707,570	$ -	$ -	$ 3,707,570
Construction-in-progress	680,952	581,984	-	1,262,936
Total capital assets, not being depreciated	4,388,522	581,984	-	4,970,506
Capital assets, being depreciated:				
Buildings	23,525,264	106,515	(444)	23,631,335
Improvements	65,750,572	697,344	(1,948)	66,445,968
Machinery & Equipment	3,058,646	99,730	(918)	3,157,458
Total capital assets, being depreciated	92,334,482	903,589	(3,310)	93,234,761
Less accumulated depreciation for:				
Buildings	(8,038,199)	(672,406)	-	(8,710,605)
Improvements	(17,495,408)	(1,456,389)	-	(18,951,797)
Machinery & Equipment	(1,453,347)	(173,698)	3,324	(1,623,721)
Total accumulated depreciation	(26,986,954)	(2,302,493)	3,324	(29,286,123)
Total capital assets being depreciated, net	65,347,528	(1,398,904)	14	63,948,638
Business-type activities capital assets, net	$ 69,736,050	$ (816,920)	$ 14	68,919,144

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

Enterprise Activities	
Water	$ 543,682
Wastewater	1,137,050
Natural Gas	161,285
Solid Waste	699
Expo	459,777
Total depreciation expense - business-type activities	$ 2,302,493

E. Pension Obligations

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 3,805,009
Pension assets	$ 699,917
Deferred outflows of resources	$ 719,521
Deferred inflows of resources	$ 761,730
Pension expense/expenditures	$ 400,409

State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing multiple-employer defined benefit public employee retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status

prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The City's actual contributions to the plan were $7,384.95 for the year ended December 31, 2015.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible

service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The City of Enumclaw's actual contributions to the plan were $433,745.97 for the year ended December 31, 2015.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee 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 membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and

- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),

- Washington State Counties,

- Washington State Cities (except for Seattle, Spokane, and Tacoma),

- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The City of Enumclaw actual contributions to the plan were $31,778.75 for the year ended December 31, 2015.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City of Enumclaw actual contributions to the plan were $79,860.46 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed $58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation

- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.5%

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

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.

- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.

- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the City of Enumclaw proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Enumclaw proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease -6.50%	Current Discount Rate -7.50%	1% Increase -8.50%
PERS 1	2,568,294	2,109,477	1,714,937
PERS 2/3	4,909,319	1,678,944	(794,433)
PSERS 2	126,043	16,588	(61,273)
LEOFF 1	(111,023)	(173,540)	(226,824)
LEOFF 2	527,133	(526,377)	(1,319,184)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the City of Enumclaw reported a total pension liability of $ 3,805,009 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$2,109,477.00
PERS 2/3	$1,678,944.00
PSERS 2	$16,588.00
TOTAL	***$3,805,009***
LEOFF 1	($173,540.00)
LEOFF 2	($526,377.00)
TOTAL	***($699,917)***
NET	***$3,105,092***

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City of Enumclaw. The amount recognized by the City of Enumclaw as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City of Enumclaw were as follows:

	Liability (or Asset)
LEOFF 2 – employer's proportionate share	($178,336)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(348,041)
TOTAL	($526,377)

At June 30, the City of Enumclaw proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	.041962%	.040327%	-0.001635%
PERS 2/3	.047684%	.046989%	(0.000695%)
PSERS 2	.085480%	.090881%	0.005401%
LEOFF 1	.014280%	.014399%	0.000119%
LEOFF 2	.051427%	.051214%	(0.000213%)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City of Enumclaw recognized pension expense as follows:

	Pension Expense
PERS 1	($152,897)
PERS 2/3	($68,849)
PSERS 2	$169
LEOFF 1	($35,226)
LEOFF 2	($143,606)
TOTAL	***($400,409)***

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City of Enumclaw reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	
Net difference between projected and actual investment earnings on pension plan investments	$	115,411.00
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	185,342.00	
Contributions subsequent to the measurement date	112,450.59	$
TOTAL	297,792.59	115,411.00

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	178,472.00	
Net difference between projected and actual investment earnings on pension plan investments		448,198.00
Changes of assumptions	2,705.00	
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	131,817.67	$
TOTAL	312,994.67	448,198.00

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	15,541.00	
Net difference between projected and actual investment earnings on pension plan investments		8,227.00
Changes of assumptions	103.00	
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	9,234.74	$
TOTAL	24,878.74	8,227.00

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		29,297.00
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	-	
TOTAL	-	29,297.00

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	46,093.00	
Net difference between projected and actual investment earnings on pension plan investments		160,597.00
Changes of assumptions	1,388.00	
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	36,374.00	
TOTAL	83,855.00	160,597.00

Deferred outflows of resources related to pensions resulting from the City of Enumclaw contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended December 31:	PERS 2/3
2016	$71,905
2017	$71,905
2018	$71,905
2019	$71,905
2020	$28,762
Thereafter	$

Year ended December 31:	PSERS
2016	($1,060)
2017	($1,060)
2018	($1,060)
2019	($1,060)
2020	($1,060)
Thereafter	($2,119)

Year ended December 31:	LEOFF 2
2016	$20,036
2017	$20,036
2018	$20,036
2019	$20,036
2020	$20,036
	$20,036
Thereafter	$4,007

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 2015 was as follows:

Medical Insurance Program Premiums	24,091
Six (6) LEOFF I eligible for Medicare part A & B	
Enumclaw Direct Medical payments	34,287
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	
Total Costs	$58,378

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 $437,034 is included as a non-current liability in the Statement of Net Position. The city's percentage of annual OPEB cost contributed to the plan for 2015 was 30%. As of 12/31/2015, the plan was funded 23%.

	2011	2012	2013	2014	2015
Actuarial Accrued Liability (AAL)	$1,743,077	$1,743,077	$2,190,882	$2,190,882	$2,190,882
Annual Required Contribution (ARC)	$ 162,305	$ 162,305	$ 197,050	$ 197,050	$ 197,050
Interest on Prior Year's Net Obligation					
Annual OPEB Requirement	162,305	162,305	197,050	197,050	197,050
Less: City Contribution	(192,801)	(70,063)	(77,178)	(73,646)	(58,380)
Subtotal	(30,496)	92,242	119,872	123,404	138,670
Cumulative Net Obligation, PY	(6,658)	(37,154)	55,088	174,960	298,364
Net Obligation, Year-end	$ (37,154)	$ 55,088	$ 174,960	$ 298,364	$ 437,034

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). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

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

As of December 31, 2015, 261 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 Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

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

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

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.

Name of Issuance	Purpose	Maturity Range	Interest Rate	Original Amount	Debt Outstanding
2003 LTGO Cole Street	Governmental Activities	5/22/03 to 6/1/18	3.60%	759,500	$ 156,671
					$ 156,671

	Governmental Activities		
Year Ending December 31	Principal	Interest	Total Requirement
			$ -
2016	60,989	4,821	65,810
2017	63,214	2,595	65,809
2018	32,468	436	32,904
	-	-	-
Total	$ 156,671	$ 7,852	$ 164,523

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.

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	$ 30,782
Waterline PWTF Loan	Business-type Activities	4/22/96 to 7/1/18	1.00%	7,000,000	1,130,364
Y Bar S Acquisition	Business-type Activities	10/01/09 to 10/01/29	1.50%	730,248	502,632
WWTP Expansion PWTF	Business-type Activities	9/15/03 to 9/15/23	5.00%	24,700,000	13,224,898
					$ 14,888,676

Governmental Activities

Year Ending December 31	Principal	Interest	Total Requirement
2016	30,782	308	31,090
	-	-	-
Total	$ 30,782	$ 308	$ 31,090

Business-type

Year Ending December 31	Principal	Interest	Total Requirement
2016	1,820,548	84,969	1,905,517
2017	1,820,548	73,591	1,894,139
2018	1,820,548	62,218	1,882,766
2019	1,443,761	50,845	1,494,605
2020	1,443,761	43,240	1,487,000
2021-2025	6,090,807	104,939	6,195,746
2026-2028	417,708	4,987	422,695
Total	$ 14,857,680	$ 424,789	$ 15,282,468

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, 2015 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.

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	$ 1,430,000
2011 Water/Wastewater	Business-type Activities	2/1/11 to 9/1/30	2% to 4.5%	5,660,000	4,790,000
					$ 6,220,000

Business-type Activities			
Year Ending December 31	Principal	Interest	Total Requirement
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	275,000	186,525	461,525
2021-2025	370,000	804,150	1,174,150
2026-2030	3,150,000	357,500	3,507,500
Total	$ 6,220,000	$ 2,227,525	$ 8,447,525

To service revenue debt, $1,115,218 was available in the Revenue Bond Reserve Fund as of December 31, 2015.

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, 2015 are as follows:

Governmental Activities:	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
Bonds Payable					
General Obligation Bonds	$ 215,514	$ -	$ 58,842	$ 156,672	$ 60,989
Special Assessment Bonds	48,610	-	48,610	0	-
Total Bonds Payable	264,124	-	107,452	156,672	60,989
Capital Leases	3,337	-	3,337	0	-
Government Loans	61,563	-	30,782	30,781	30,781
Compensated Absences	807,597	9,851	8,845	808,603	266,839
Governmental Activities L-T Liabilities	$ 1,136,621	$ 9,851	$ 150,416	$ 996,056	$ 358,609
Business-type Activities					
Bonds Payable					
Revenue Bonds	$ 7,125,000	$ -	$ 905,000	$ 6,220,000	$ 935,000
Less Deferred Amounts for Premiums/Discounts	67,434	38,921	32,966	73,390	-
General Obligation Bonds	175,000	-	175,000	-	-
Total Bonds Payable	7,367,434	38,921	1,112,966	6,293,390	935,000
Compensated Absences	284,690	8,967	20,142	273,515	90,260
Government Loans	16,678,446	-	1,820,977	14,857,469	1,820,335
Buiness-type Activities L-T Liabilities	$ 24,330,570	$ 47,888	$ 2,954,085	$ 21,424,373	$ 2,845,595

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 $58,426 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 reasonable 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 $321,692 in the fund, which was less than the allowed maximum of $427,819 (based on AV of $1,140,851,503).

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 of regulations of other governments.

c. Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The same formal action must be taken to remove or change the limitations placed on the funds. The City Council is the highest level of decision making authority for the City.

d. Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has granted authority to the City Manager to assign fund balance amounts.

e. Unassigned – The residual classification for government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

J. Interfund Loan Receivables and Payables

The composition of interfund balances as of December 31, 2015 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
ER&R	Water	$ 575,000
ER&R	Sewer	210,000
ER&R	LID 215	128,553
Total		$ 913,553

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, 2015 is as follows:

	Transfer in:						
	General Fund	Street Fund	Nonmajor Governmental Funds	Debt Service Fund	Enterprise Fund	Internal Service Funds	Totals
Transfer out:							
General Fund	$ -	$ 600,000	$ 228,352	$ -	$ 155,710	$ 262,017	$ 1,246,079
Nonmajor governmental funds	-	408,791	278,021	84,926	-	70,000	841,738
ER& R Fund	-	-	-	-	-	-	-
Total	$ -	$ 1,008,791	$ 506,373	$ 84,926	$ 155,710	$ 332,017	$ 2,087,817

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 2015 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, 2015

Operating Revenues	$	13,482
Operating Expenditures		-
Net Change in Fund Balance		13,482
Fund Balance Beginning		440,055
Fund Balance Ending	$	453,537

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, 2015

	Scholtfeldt	Lafromboise
Operating Revenues	$ 200	$ 961
Operating Expenditures	-	788
Net Change in Fund Balance	200	173
Fund Balance Beginning	26,016	125,623
Fund Balance Ending	$ 26,216	$ 125,796

M. 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. In 2015 the Natural Gas LTGO Bond was paid off and $10,000 of debt issuance cost was written off.

NOTE 5 – Industrial Development Corporation of the City of Enumclaw

In 1983 the City Council of the City of Enumclaw authorized the establishment of the Industrial Development Corporation of the City of Enumclaw (Ord. No. 1427), a public corporation whose purpose is to issue tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the City. The corporation may construct and maintain industrial facilities, which it can lease or sell to industrial users. Revenue bonds issued by the corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the City or a lien on any of its properties or revenues other than industrial facilities for which they are used.

The Industrial Development Corporation of the City of Enumclaw has no tax-exempt non-recourse revenue bonds outstanding as of December 31, 2015.

City of Enumclaw
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1
As of December 31,
Last 10 Fiscal Years*

		2015
Enumclaw's proportion of the net pension liability (asset)	%	0.040327%
Enumclaw's proportionate share of the net pension liability	$	2,109,477
TOTAL	$	
Enumclaw's covered employee payroll	$	71,935
Enumclaw's proportionate share of the net pension liability as a percentage of covered employee payroll	%	2932.46%
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 2&3
As of December 31,
Last 10 Fiscal Years*

		2015
Enumclaw's proportion of the net pension liability (asset)	%	0.046989%
Enumclaw's proportionate share of the net pension liability	$	1,678,944
TOTAL	$	
Enumclaw's covered employee payroll	$	4,247,723
Enumclaw's proportionate share of the net pension liability as a percentage of covered employee payroll	%	39.53%
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%

Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of December 31,
Last 10 Fiscal Years*

		2015
Enumclaw's proportion of the net pension liability (asset)	%	0.014399%
Enumclaw's proportionate share of the net pension liability	$	(173,540.00)
TOTAL	$	
Plan fiduciary net position as a percentage of the total pension liability	%	127.36%

Schedule of Proportionate Share of the Net Pension Liability LEOFF 2 As of December 31, Last 10 Fiscal Years*		
		2015
Enumclaw's proportion of the net pension liability (asset)	%	0.051214%
Enumclaw's proportionate share of the net pension liability	$	(526,377.00)
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	$	
TOTAL	$	
Enumclaw's covered employee payroll	$	1,526,966
Enumclaw's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-34.47%
Plan fiduciary net position as a percentage of the total pension liability	%	111.67%

Schedule of Proportionate Share of the Net Pension Liability PSERS As of December 31, Last 10 Fiscal Years*		
		2015
Enumclaw's proportion of the net pension liability (asset)	%	0.090881%
Enumclaw's proportionate share of the net pension liability	$	16,588
TOTAL	$	
Enumclaw's covered employee payroll	$	286,774
Enumclaw's proportionate share of the net pension liability as a percentage of covered employee payroll	%	5.78%
Plan fiduciary net position as a percentage of the total pension liability	%	95.08%

City of Enumclaw
Schedule of Employer Contributions
PERS 1
As of December 31 2015

		2015
Statutorily or contractually required contributions	$	7,385
Contributions in relation to the statutorily or contractually required contributions	$	(7,384)
Contribution deficiency (excess)	$	0
Covered employer payroll	$	71,935
Contributions as a percentage of covered employee payroll	%	10.27%

City of Enumclaw
Schedule of Employer Contributions
PERS 2&3
As of December 31 2015

		2015
Statutorily or contractually required contributions	$	433,746
Contributions in relation to the statutorily or contractually required contributions	$	(433,746)
Contribution deficiency (excess)	$	0
Covered employer payroll	$	4,247,723
Contributions as a percentage of covered employee payroll	%	10.21%

City of Enumclaw
Schedule of Employer Contributions
LEOFF 2
As of December 31 2015

		2015
Statutorily or contractually required contributions	$	79,860
Contributions in relation to the statutorily or contractually required contributions	$	(79,860)
Contribution deficiency (excess)	$	0
Covered employer payroll	$	1,526,966
Contributions as a percentage of covered employee payroll	%	5.23%

City of Enumclaw
Schedule of Employer Contributions
PSERS
As of December 31 2015

		2015
Statutorily or contractually required contributions	$	31,779
Contributions in relation to the statutorily or contractually required contributions	$	(31,779)
Contribution deficiency (excess)	$	0
Covered employer payroll	$	286,774
Contributions as a percentage of covered employee payroll	%	11.08%

City of Enumclaw
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	BVA	-	1,663	1,663	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS-0410(50)	1,380,064	-	1,380,064	-	2
	Total Highway Planning and Construction Cluster:			**1,380,064**	**-**	**1,380,064**	-	
Drinking Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-139	-	118,786	118,786	-	3
Office Of Water, Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-175	-	8,555	8,555	-	3
	Total Drinking Water State Revolving Fund Cluster:			**-**	**127,341**	**127,341**	-	
	Total Federal Awards Expended:			**1,380,064**	**129,005**	**1,509,068**	**-**	

The accompanying notes 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 loans to upgrade the water system and reservoirs. The amount listed is the amount drawn on the loans in fiscal year 2015 only. There are no continuing compliance requirements, therefore the total loans received to date are not reported. Once the projects are completed and the assets 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.

Contact information for the State Auditor's Office	
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