



Office of the Washington State Auditor

Pat McCarthy

Financial Statements Audit Report

City of Selah

For the period January 1, 2016 through December 31, 2017

Published February 7, 2019

Report No. 1023217





Office of the Washington State Auditor Pat McCarthy

February 7, 2019

Mayor and City Council
City of Selah
Selah, Washington

Report on Financial Statements

Please find attached our report on the City of Selah's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

TABLE OF CONTENTS

Summary Schedule of Prior Audit Findings	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	5
Independent Auditor's Report on Financial Statements.....	8
Financial Section.....	11
About the State Auditor's Office.....	39



CITY OF SELAH

115 West Naches Avenue
Selah, Washington 98942

Phone 509-698-7328
Fax 509-698-7338

City of Selah January 1, 2016 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2014 through December 31, 2015	1018610	2015-001
Finding Caption: The City's internal controls over financial reporting are inadequate to ensure financial statements are accurate and complete.		
Background: It is City management's responsibility to design and follow internal controls that provide reasonable assurance its financial reporting is reliable. Controls must ensure financial data is reliably authorized, processed and reported.		
The City reports its financial statements using the cash basis method of accounting prescribed by the <i>Budgeting, Accounting and Reporting System</i> (BARS) Manual. Beginning in 2015, local governments using the cash basis method were required to report pension liabilities.		
Our audit identified a material weakness in controls over financial reporting that affects the City's ability to produce reliable financial statements.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>As explained to the Auditors at the Exit Conference for the 2014 & 2015 audit, city staff has always used the most current version of the BARS manual in the preparation of the annual report. We also explained that the BARS manual sample Liability report did not include the new requirement concerning the disclosure of Pension liabilities. Audit staff advised us that we should have noted the new requirement in our reading of the BARS Manual Highlights of Reporting Changes.</i>		
<i>In the preparation of the 2017 annual report we noted that the BARS manual sample Liability report continues to omit the disclosure of Pension Liabilities.</i>		
<i>For the filing of the City's 2016 and 2017 annual reports for the State Auditor a fellow Finance department staff member assisted our report preparer by reviewing the information prior to the reports being submitted.</i>		

**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 Selah
January 1, 2016 through December 31, 2017**

Mayor and City Council
City of Selah
Selah, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Selah, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 31, 2019.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

A handwritten signature in black ink, appearing to read "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

January 31, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Selah January 1, 2016 through December 31, 2017

Mayor and City Council
City of Selah
Selah, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Selah, for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Selah, for the years ended December 31, 2017 and 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Selah, as of December 31, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 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.



Pat McCarthy

State Auditor

Olympia, WA

January 31, 2019

FINANCIAL SECTION

City of Selah January 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

- Fund Resources and Uses Arising from Cash Transactions – 2017
- Fund Resources and Uses Arising from Cash Transactions – 2016
- Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
- Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
- Notes to Financial Statements – 2017
- Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

- Schedule of Liabilities – 2017
- Schedule of Liabilities – 2016

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General Fund	103 Fire Control	110 City Street
Beginning Cash and Investments					
30810	Reserved	3,031,440	683,022	726,975	128,872
30880	Unreserved	5,095,563	297,504	1,299	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	5,937,299	4,460,621	665,733	254,500
320	Licenses and Permits	150,984	150,984	-	-
330	Intergovernmental Revenues	742,220	492,005	8,398	152,664
340	Charges for Goods and Services	6,216,795	240,304	920,816	11,000
350	Fines and Penalties	66,683	65,355	-	-
360	Miscellaneous Revenues	367,439	145,501	7,856	523
Total Revenues:		<u>13,481,420</u>	<u>5,554,769</u>	<u>1,602,803</u>	<u>418,687</u>
Expenditures					
510	General Government	776,159	776,159	-	-
520	Public Safety	3,461,806	2,253,483	1,208,323	-
530	Utilities	3,862,220	-	-	-
540	Transportation	843,940	-	-	442,575
550	Natural and Economic Environment	431,644	431,644	-	-
560	Social Services	1,488	1,488	-	-
570	Culture and Recreation	1,008,414	815,985	-	-
Total Expenditures:		<u>10,385,671</u>	<u>4,278,760</u>	<u>1,208,323</u>	<u>442,575</u>
Excess (Deficiency) Revenues over Expenditures:		<u>3,095,749</u>	<u>1,276,011</u>	<u>394,480</u>	<u>(23,888)</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,061,313	-	-	-
397	Transfers-In	979,572	441,573	80,210	80,508
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	293,500	246,352	-	-
381, 395, 398	Other Resources	130,678	-	-	-
Total Other Increases in Fund Resources:		<u>2,465,064</u>	<u>687,925</u>	<u>80,210</u>	<u>80,508</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,646,836	926,124	471,054	22,403
591-593, 599	Debt Service	1,198,282	507,471	-	-
597	Transfers-Out	979,572	174,282	80,210	70,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	237,960	237,960	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>5,062,650</u>	<u>1,845,837</u>	<u>551,264</u>	<u>92,403</u>
Increase (Decrease) in Cash and Investments:		<u>498,162</u>	<u>118,099</u>	<u>(76,574)</u>	<u>(35,783)</u>
Ending Cash and Investments					
5081000	Reserved	3,178,363	786,147	650,394	93,090
5088000	Unreserved	5,446,805	312,477	1,307	-
Total Ending Cash and Investments		<u>8,625,168</u>	<u>1,098,624</u>	<u>651,701</u>	<u>93,090</u>

The accompanying notes are an integral part of this statement.

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		111 Street Improvement	113 Paths & Trails	115 Local Access Street Improv.	119 Transit
Beginning Cash and Investments					
30810	Reserved	(2,699)	8,083	144,681	335,641
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	432,400
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	63,469	685	-	-
340	Charges for Goods and Services	-	-	35	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	11	44	1,025	1,972
Total Revenues:		<u>63,480</u>	<u>729</u>	<u>1,060</u>	<u>434,372</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	401,365
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>-</u>	<u>-</u>	<u>-</u>	<u>401,365</u>
Excess (Deficiency) Revenues over Expenditures:		<u>63,480</u>	<u>729</u>	<u>1,060</u>	<u>33,007</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	26,882	-	100,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	46,342	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>73,224</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	91,858	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	18,496	56,180
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>91,858</u>	<u>-</u>	<u>18,496</u>	<u>56,180</u>
Increase (Decrease) in Cash and Investments:		<u>44,846</u>	<u>729</u>	<u>82,564</u>	<u>(23,173)</u>
Ending Cash and Investments					
5081000	Reserved	42,148	8,812	227,245	312,467
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		<u>42,148</u>	<u>8,812</u>	<u>227,245</u>	<u>312,467</u>

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		171 Public Works Equipment	180 Drugs & Alcohol Community	181 Crime Prevention Accum. Res.	190 SPRSA Pool
Beginning Cash and Investments					
30810	Reserved	441,124	10,710	3,216	15,399
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	161,488
350	Fines and Penalties	-	533	765	-
360	Miscellaneous Revenues	1,606	42	7	5,512
Total Revenues:		1,606	575	772	167,000
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	192,428
Total Expenditures:		-	-	-	192,428
Excess (Deficiency) Revenues over Expenditures:		1,606	575	772	(25,428)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	55,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	106
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		55,000	-	-	106
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	31,625	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		31,625	-	-	-
Increase (Decrease) in Cash and Investments:		24,981	575	772	(25,322)
Ending Cash and Investments					
5081000	Reserved	466,105	11,285	3,988	(9,923)
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		466,105	11,285	3,988	(9,923)

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		202 Goodlander LID	220 LI Guaranty	301 Capital Improvement	308 Civic Center Capital Project
Beginning Cash and Investments					
30810	Reserved	-	46,543	-	-
30880	Unreserved	10,781	-	299,211	16,902
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	124,046	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	29	-	-	-
360	Miscellaneous Revenues	7,783	443	2,127	48
Total Revenues:		7,812	443	126,173	48
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		7,812	443	126,173	48
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	(300)	-	-	-
597	Transfers-Out	-	-	169,214	15,695
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		(300)	-	169,214	15,695
Increase (Decrease) in Cash and Investments:		8,112	443	(43,041)	(15,647)
Ending Cash and Investments					
5081000	Reserved	-	46,986	-	-
5088000	Unreserved	18,894	-	256,169	1,256
Total Ending Cash and Investments		18,894	46,986	256,169	1,256

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		310 CE Building/Proper ty Reserve	411 Water	415 Sewer	420 Solid Waste Reserve
Beginning Cash and Investments					
30810	Reserved	-	489,873	-	-
30880	Unreserved	541,074	1,792,148	1,640,646	495,999
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	25,000	-
340	Charges for Goods and Services	-	1,948,816	2,093,736	840,599
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,975	110,562	72,757	3,646
Total Revenues:		5,975	2,059,378	2,191,493	844,245
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	1,207,313	1,754,576	900,331
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,207,313	1,754,576	900,331
Excess (Deficiency) Revenues over Expenditures:		5,975	852,065	436,917	(56,086)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	1,061,313	-	-
397	Transfers-In	174,282	10,559	10,559	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	700	-	-
381, 395, 398	Other Resources	127,265	700	-	2,714
Total Other Increases in Fund Resources:		301,547	1,073,272	10,559	2,714
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,082,897	52,501	-
591-593, 599	Debt Service	-	412,147	278,964	-
597	Transfers-Out	200,000	35,000	80,000	48,870
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		200,000	1,530,044	411,465	48,870
Increase (Decrease) in Cash and Investments:		107,522	395,293	36,011	(102,242)
Ending Cash and Investments					
5081000	Reserved	-	539,620	-	-
5088000	Unreserved	648,596	2,137,694	1,676,657	393,756
Total Ending Cash and Investments		648,596	2,677,314	1,676,657	393,756

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 General Fund	103 Fire Control	110 City Street
Beginning Cash and Investments					
30810	Reserved	2,053,999	679,545	535,234	35,552
30880	Unreserved	5,131,146	507,435	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	5,603,172	4,204,769	641,815	259,556
320	Licenses and Permits	161,665	161,665	-	-
330	Intergovernmental Revenues	1,067,687	139,677	338,309	215,386
340	Charges for Goods and Services	5,787,838	206,249	894,872	11,000
350	Fines and Penalties	73,506	70,581	-	-
360	Miscellaneous Revenues	684,842	308,648	16,949	29,241
Total Revenues:		<u>13,378,710</u>	<u>5,091,588</u>	<u>1,891,945</u>	<u>515,183</u>
Expenditures					
510	General Government	882,888	882,888	-	-
520	Public Safety	3,254,904	2,144,439	1,110,465	-
530	Utilities	3,444,723	-	-	-
540	Transportation	740,334	-	-	409,237
550	Natural and Economic Environment	444,557	444,557	-	-
560	Social Services	1,997	1,997	-	-
570	Culture and Recreation	950,958	803,368	-	-
Total Expenditures:		<u>9,720,360</u>	<u>4,277,249</u>	<u>1,110,465</u>	<u>409,237</u>
Excess (Deficiency) Revenues over Expenditures:		<u>3,658,349</u>	<u>814,340</u>	<u>781,479</u>	<u>105,946</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,274,737	-	-	-
397	Transfers-In	442,375	175,217	-	60,762
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	120,814	120,388	-	-
381, 395, 398	Other Resources	155,698	5,798	-	17,598
Total Other Increases in Fund Resources:		<u>1,993,624</u>	<u>301,404</u>	<u>-</u>	<u>78,359</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,809,065	506,095	588,440	20,985
591-593, 599	Debt Service	1,336,345	693,774	-	-
597	Transfers-Out	442,375	-	-	70,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	122,329	122,329	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>4,710,114</u>	<u>1,322,197</u>	<u>588,440</u>	<u>90,985</u>
Increase (Decrease) in Cash and Investments:		941,858	(206,454)	193,039	93,321
Ending Cash and Investments					
5081000	Reserved	3,032,739	683,022	728,274	128,872
5088000	Unreserved	5,094,265	297,504	-	-
Total Ending Cash and Investments		8,127,004	980,526	728,274	128,872

The accompanying notes are an integral part of this statement.

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		111 Street Improvement	113 Paths & Trails	115 Local Access Street Improv.	119 Transit
Beginning Cash and Investments					
30810	Reserved	-	7,369	71,197	257,466
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	396,756
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	22,959	680	-	11,729
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	35	775	1,715
Total Revenues:		22,959	714	775	410,201
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	331,096
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	331,096
Excess (Deficiency) Revenues over Expenditures:		22,959	715	775	79,104
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	22,291	-	95,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		22,291	-	95,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	47,949	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	22,291	929
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		47,949	-	22,291	929
Increase (Decrease) in Cash and Investments:		(2,699)	715	73,484	78,175
Ending Cash and Investments					
5081000	Reserved	(2,699)	8,083	144,681	335,641
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		(2,699)	8,083	144,681	335,641

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		171 Public Works Equipment	180 Drugs & Alcohol Community	181 Crime Prevention Accum. Res.	190 SPRSA Pool
Beginning Cash and Investments					
30810	Reserved	400,489	9,405	1,627	9,783
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	157,861
350	Fines and Penalties	-	1,282	1,586	-
360	Miscellaneous Revenues	4,573	23	3	5,721
Total Revenues:		4,573	1,305	1,589	163,582
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	147,590
Total Expenditures:		-	-	-	147,590
Excess (Deficiency) Revenues over Expenditures:		4,573	1,305	1,589	15,992
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	65,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	125
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		65,000	-	-	125
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	10,501
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	28,938	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		28,938	-	-	10,501
Increase (Decrease) in Cash and Investments:		40,635	1,305	1,589	5,616
Ending Cash and Investments					
5081000	Reserved	441,124	10,710	3,216	15,399
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		441,124	10,710	3,216	15,399

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		202 Goodlander LID	220 LI Guaranty	301 Capital Improvement	308 Civic Center Capital Project
Beginning Cash and Investments					
30810	Reserved	-	46,331	-	-
30880	Unreserved	6,215	-	294,332	16,854
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	100,276	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	58	-	-	-
360	Miscellaneous Revenues	10,093	212	2,463	48
Total Revenues:		10,151	212	102,739	48
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		10,151	212	102,739	48
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	5,585	-	-	-
597	Transfers-Out	-	-	97,861	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		5,585	-	97,861	-
Increase (Decrease) in Cash and Investments:		4,566	212	4,878	48
Ending Cash and Investments					
5081000	Reserved	-	46,543	-	-
5088000	Unreserved	10,781	-	299,211	16,902
Total Ending Cash and Investments		10,781	46,543	299,211	16,902

City of Selah
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		310 CE Building/Proper ty Reserve	411 Water	415 Sewer	420 Solid Waste
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	486,740	1,847,422	1,476,990	495,157
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,759	336,188	-
340	Charges for Goods and Services	-	1,811,041	1,921,855	784,960
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,546	91,736	207,005	3,056
Total Revenues:		2,546	1,905,536	2,465,048	788,016
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	1,049,288	1,628,260	767,174
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,049,288	1,628,260	767,174
Excess (Deficiency) Revenues over Expenditures:		2,546	856,248	836,788	20,842
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	774,737	500,000	-
397	Transfers-In	-	16,064	8,042	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	300	-	-
381, 395, 398	Other Resources	129,145	3,158	-	-
Total Other Increases in Fund Resources:		129,145	794,258	508,042	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	823,971	811,123	-
591-593, 599	Debt Service	-	356,936	280,050	-
597	Transfers-Out	77,357	35,000	90,000	20,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		77,357	1,215,907	1,181,174	20,000
Increase (Decrease) in Cash and Investments:		54,334	434,599	163,656	842
Ending Cash and Investments					
5081000	Reserved	-	489,873	-	-
5088000	Unreserved	541,074	1,792,148	1,640,646	495,999
Total Ending Cash and Investments		541,074	2,282,020	1,640,646	495,999

City of Selah
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

Agency	
308	Beginning Cash and Investments
	2,707
388 & 588	Prior Period Adjustment, Net
	-
310-390	Additions
	157,096
510-590	Deductions
	153,794
	Net Increase (Decrease) in Cash and Investments:
	3,302
508	Ending Cash and Investments
	6,009

The accompanying notes are an integral part of this statement.

City of Selah
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		633 Municipal Court Suspense
308	Beginning Cash and Investments	2,684
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	166,984
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	<u>166,961</u>
Net Increase (Decrease) in Cash and Investments:		23
508	Ending Cash and Investments	2,707

The accompanying notes are an integral part of this statement.

CITY OF SELAH
NOTES TO FINANCIAL STATEMENTS
2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Selah was incorporated on March 17, 1919 and operates under the laws of the state of Washington applicable to a noncharter code city. The city is a general purpose government and provides Public Safety, Solid Waste Disposal, Fire Prevention, Street Maintenance & Improvement, Parks & Recreation, Municipal Court and General Administration Services.

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

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

a. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense)

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

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

b. Basis of Accounting

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

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

c. Budgets

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the General fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund:			
Legislative	\$ 42,596	\$ 43,508	\$ (912)
Court	131,381	124,730	6,651
Executive	224,962	228,160	(3,198)
Financial/Record Svcs.	152,089	142,310	9,779
Legal	191,200	208,792	(17,592)
Facilities	32,595	28,660	3,935
Police	2,170,305	2,142,650	27,655
Detention/Corrections	105,850	105,730	120
Emergency Services	4,153	5,103	(950)
Pollution Control	2,998	2,998	0
Animal Control	37,668	35,440	2,228
Planning	184,573	160,495	24,078
Housing & Community Dev.	210,014	215,072	(5,058)
Substance Abuse	2,000	1,488	512
Participant Recreation	261,098	266,142	(5,044)
Parks	432,041	428,723	3,318
Transfers	276,114	273,113	3,001
Debt Service	508,671	507,471	1,200
Capital Expenditures	1,169,528	908,013	261,515
Total General Fund	\$ 6,139,836	\$ 5,828,598	\$ 311,238
	Final Appropriated	Actual Expenditures	Variance

Fund	Amounts		
103 Fire Control	\$ 1,817,301	\$ 1,759,587	\$ 57,714
110 City Street	573,385	534,977	38,408
111 Street Improvement	260,091	91,858	168,233
113 Paths & Trails	8,000	0	8,000
115 Local Access St Improv	68,679	18,496	50,183
118 Civic Center	147,338	150,107	(2,769)
119 Transit	529,399	457,545	71,854
121 Tourism	20,932	17,639	3,293
140 Contingency Reserve	0	0	0
150 Fire Equip Reserve	417,000	417,000	0
153 EMS Equip Reserve	0	0	0
170 CE Equipment Reserve	209,112	197,957	11,155
171 PW Equip Reserve	33,000	31,625	1,375
180 Drugs & Alcohol Com Res	0	0	0
181 Crime Prevention Res	0	0	0
190 SPRSA Pool	195,715	192,428	3,287
202 Goodlander LID	0	(300)	0
220 LI Guaranty	0	0	300
301 Capital Improvement	187,000	169,214	17,786
303 Fire Control Bldg Reserve	0	0	0
308 Civic Center Capital Project	15,695	15,695	0
310 CE Bldg/Prop Reserve	200,000	200,000	0
411 Water	2,814,121	2,808,854	5,267
415 Sewer	2,805,117	2,316,041	489,076
420 Solid Waste	978,401	935,331	43,070
461 Water Reserve	11,663	11,663	0
465 Sewer Reserve	0	0	0
470 Solid Waste Reserve	63,570	13,870	49,700

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

d. Deposits and Investments

See Note 2, Deposits and Investments

e. Capital Assets

Capital assets are long-lived assets of the city and are recorded as expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Sick leave accrued after January 1, 2000 will be accounted for such that employees may, upon retirement (which shall be defined as immediately receiving PERS or LEOFF payments), exercise an option to convert any of this unused sick leave at a rate equal to one (1) full day of the employee's monetary compensation for each four (4) full days accrued sick leave up to a maximum of 180 days converted to a maximum of 45 days pay.

Upon separation employees do not receive payment for unused sick leave.

g. Long-Term Debt

See Note 5, Debt Service Requirements

h. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council and we have reserved all Special Revenue fund balances at the direction of State Auditor's Office personnel.

When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

As of year-end the following Reservations of Ending Cash and Investments were on hand:

Fund 001 General \$ 786,836, Fund 103 Fire Control \$ 650,394, Fund 110 City Street \$ 93,090, Fund 111 Street Improvement \$ 42,148, Fund 113 Paths & Trails \$ 8,812, Fund 115 Local Access Street Improvement \$ 227,245, Fund 119 Transit \$ 312,467, Fund 171 PW Equipment Reserve \$ 466,105, Fund 180 Drugs & Alcohol Community Reserve \$ 11,285, Fund 181 Crime Prevention Reserve \$ 3,988, Fund 190 SPRSA Pool \$ (9,923), Fund 220 LI Guaranty \$ 46,986, and Fund 411 Water - \$539,620.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ 1,529,799
Money Market Account	1,955,311
FNMA/FFCB Govt Obligations	4,489,421
Total	<u>\$ 7,974,531</u>

NOTE 3 - PROPERTY TAX

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

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

The city's regular levy for the year 2017 was \$2.618 per \$1,000 on an assessed valuation of \$598,310,552 for a total regular levy of \$1,566,125.

NOTE 4 - INTERFUND LOANS

As of December 31, 2017 the city has no interfund loans.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long Term Liabilities (09) provides a listing of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for 2017. The debt service requirements for future payment requirements, including interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$1,095,814	\$115,121	\$1,210,935
2019	1,103,294	98,836	1,202,130
2020	966,883	81,197	1,048,080
2021	604,590	65,454	670,044
2022	747,932	53,503	801,435
2023 – 2027	1,410,375	147,874	1,558,249
2028 - 2032	848,695	69,743	918,438
2033 - 2036	<u>538,083</u>	<u>17,008</u>	<u>555,091</u>
TOTALS	\$ 7,315,666	\$ 648,736	\$ 7,964,402

NOTE 6 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employee Retirement System or the Law Enforcement Officers and Firefighters Retirement System administered by the Washington State Department of Retirement Systems.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2017 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.017811	\$ 845,146
PERS 2/3	.022909	795,978

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

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

NOTE 7 – RISK MANAGEMENT

The city is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2017 there are 201 members in the program.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$ 100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$ 25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$ 101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,784,067.

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

Privacy and Network Liability coverage is offered with a \$ 10,000 member deductible and \$ 40,000 self-insured retention for systems using encryption and \$ 50,000 self-insured retention for those without encryption.

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

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2017 were \$ 1,501,904.

CITY OF SELAH
NOTES TO FINANCIAL STATEMENTS
2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Selah was incorporated on March 17, 1919 and operates under the laws of the state of Washington applicable to a noncharter code city. The city is a general purpose government and provides Public Safety, Solid Waste Disposal, Fire Prevention, Street Maintenance & Improvement, Parks & Recreation, Municipal Court and General Administration Services.

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

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

a. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense)

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

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

b. Basis of Accounting

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

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

c. Budgets

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the General fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund:			
Legislative	\$ 60,927	\$ 61,232	\$ (305)
Court	133,085	130,018	3,067
Executive	220,203	220,705	(502)
Financial/Record Svcs.	205,344	206,249	(905)
Legal	237,990	239,662	(1,672)
Facilities	40,713	25,022	15,691
Police	2,117,757	2,076,764	40,993
Detention/Corrections	112,815	62,601	50,214
Emergency Services	4,153	5,074	(921)
Pollution Control	2,958	2,958	0
Animal Control	73,805	62,859	10,946
Planning	149,263	166,423	(17,160)
Housing & Community Dev.	199,620	195,456	4,164
Substance Abuse	1,400	1,997	(597)
Participant Recreation	306,275	293,446	12,829
Parks	429,037	399,019	30,018
Transfers	88,263	85,263	3,000
Debt Service	697,005	693,773	3,232
Capital Expenditures	948,298	506,095	442,203
Total General Fund	\$ 6,028,911	\$ 5,434,616	\$ 594,295
	Final Appropriated	Actual Expenditures	Variance

Fund	Amounts		
103 Fire Control	\$ 1,835,056	\$ 1,698,905	\$ 136,151
110 City Street	522,950	500,222	22,728
111 Street Improvement	142,816	47,949	94,867
113 Paths & Trails	0	0	0
115 Local Access St Improv	24,932	22,291	2,641
118 Civic Center	109,837	110,903	(1,066)
119 Transit	358,271	332,025	26,246
121 Tourism	19,896	16,860	3,036
140 Contingency Reserve	0	0	0
150 Fire Equip Reserve	324,213	265,743	58,470
153 EMS Equip Reserve	0	0	0
170 CE Equipment Reserve	139,852	133,120	6,732
171 PW Equip Reserve	29,700	28,938	762
180 Drugs & Alcohol Com Res	0	0	0
181 Crime Prevention Res	0	0	0
190 SPRSA Pool	159,428	158,091	1,337
202 Goodlander LID	5,585	5,585	0
220 LI Guaranty	0	0	0
301 Capital Improvement	150,000	97,861	52,139
303 Fire Control Bldg Reserve	0	0	0
308 Civic Center Capital Project	0	0	0
310 CE Bldg/Prop Reserve	80,054	77,357	2,697
411 Water	3,465,840	2,336,752	1,129,088
415 Sewer	3,454,545	3,009,434	445,111
420 Solid Waste	841,929	787,174	54,755
461 Water Reserve	20,000	0	20,000
465 Sewer Reserve	349,650	245,353	104,297
470 Solid Waste Reserve	0	0	0

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

d. Cash

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

e. Deposits

The city deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. Investments See Investment Note No. 2

g. Capital Assets

Capital assets are long-lived assets of the city and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Sick leave accrued after January 1, 2000 will be accounted for such that employees may, upon retirement (which shall be defined as immediately receiving PERS or LEOFF payments), exercise an option to convert any of this unused sick leave at a rate equal to one (1) full day of the employee's monetary compensation for each four (4) full days accrued sick leave up to a maximum of 180 days converted to a maximum of 45 days pay.

Upon separation employees do not receive payment for unused sick leave.

i. Long-Term Debt See Note 5

j. Other Financing Sources or Uses

Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified as Other Financing Sources or Uses". Also included are contributions to the capital or enterprise funds and transfers to establish or reduce working capital in other funds.

k. Risk Management

The city is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2016 there are 205 members in the program.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$ 100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$ 25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$ 101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$1,718,302.

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

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

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2016 were \$ 1,484,482.16.

1. Reserved Portion of Ending Cash and Investments

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

As of year-end the following Reservations of Ending Cash and Investments were on hand:

Fund 001 General \$ 683,022, Fund 103 Fire Control \$ 728,274, Fund 110 City Street \$ 128,872, Fund 111 Street Improvement \$ (2,699), Fund 113 Paths & Trails \$ 8,083, Fund 115 Local Access Street Improvement \$ 144,681, Fund 119 Transit \$ 335,641, Fund 171 PW Equipment Reserve \$ 441,124, Fund 180 Drugs & Alcohol Community Reserve \$ 10,710, Fund 181 Crime Prevention Reserve \$ 3,216, Fund 190 SPRSA Pool \$ 15,399, Fund 220 LI Guaranty \$ 46,543, and Fund 411Water - \$489,873.

NOTE 2 - INVESTMENTS

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

Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ 1,515,155
Money Market Account	2,008,114
FNMA/FFCB Govt Obligations	2,990,679
Certificates of Deposit	569,503
Selah GO Bonds	406,863
Total	<u>\$ 7,490,314</u>

NOTE 3 - PROPERTY TAX

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

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

The city's regular levy for the year 2016 was \$2.562 per \$1,000 on an assessed valuation of \$596,044,868 for a total regular levy of \$1,527,127.

NOTE 4 - INTERFUND LOANS AND ADVANCES

As of December 31, 2016 the city has no interfund loans.

NOTE 5 - LONG-TERM DEBT

The accompanying Schedule of Long Term Liabilities (09) provides a listing of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for 2016. The debt service requirements for future payment requirements, including interest, are as follows:

	General Obligation <u>Debt</u>	Other <u>Debt</u>	Total <u>Debt</u>
2017	452,851	683,770	1,136,621
2018	456,545	674,259	1,130,804
2019	453,557	669,395	1,122,952
2020	454,326	515,528	969,854
2021	136,745	511,410	648,155
2022 - 2026	385,769	1,403,867	1,789,636
2027 - 2031		573,464	573,464
2032 - 2036	_____	<u>402,284</u>	<u>402,284</u>
 TOTALS	 <u>\$2,339,793</u>	 <u>\$5,433,977</u>	 <u>\$ 7,773,770</u> **

**As of December 31, 2016 the City has drawn \$146,350 on a loan from the WA State Dept of Commerce however an amortization schedule of future debt service payments has not yet been developed.

NOTE 6 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employee Retirement System or the Law Enforcement Officers and Firefighters Retirement System administered by the Washington State Department of Retirement Systems.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2016 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.017200	\$ 923,721
PERS 2/3	.022067	1,111,718

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

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

City of Selah
Schedule of Liabilities
For the Year Ended December 31, 2017

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	12/4/2014 GO Bonds	12/1/2022	2,046,154	-	441,154	1,605,000
263.85	1/3/2012 SIED Loan for St Improv.	6/1/2022	127,599	-	20,006	107,593
	Total General Obligation Debt/Liabilities:		2,173,753	-	461,160	1,712,593
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	2016 WA State Energy Loan	12/1/2025	413,092	-	37,710	375,382
263.88	11/17/1999 PWTF Loan	6/1/2019	447,008	-	149,003	298,005
259.12	Compensated Absences		300,490	22,011	-	322,501
263.88	8/30/2001 PWTF Loan	6/1/2021	847,440	-	169,488	677,952
263.88	7/14/2003 PWTF Loan	6/1/2023	478,085	-	68,298	409,787
263.88	9/15/2006 2005 DWSRF Loan	10/1/2026	841,977	-	84,198	757,779
263.88	3/20/2013 DWSRF DM12-952-093	10/1/2036	1,267,855	-	70,436	1,197,419
263.88	9/24/2014 DWSRF DM13-952-130	10/1/2037	714,827	-	35,741	679,086
263.88	10/3/2016 DWSRF DM16-952-030	10/1/2036	146,350	1,061,313	-	1,207,663
264.30	Net Pension Liability		2,035,439	-	394,315	1,641,124
	Total Revenue and Other (non G.O.) Debt/Liabilities:		7,492,563	1,083,324	1,009,189	7,566,698
	Total Liabilities:		9,666,316	1,083,324	1,470,349	9,279,291

City of Selah
Schedule of Liabilities
For the Year Ended December 31, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	12/4/2014 GO Bonds	12/1/2022	2,665,000	-	618,846	2,046,154
263.81	1/3/2012 SIED Loan for St Improv.	6/1/2022	147,128	-	19,529	127,599
	Total General Obligation Debt/Liabilities:		2,812,128	-	638,375	2,173,753
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	2016 WA State Energy Loan	12/1/2025	-	443,654	30,562	413,092
263.82	11/17/1999 PWTF Loan	6/1/2019	596,010	-	149,003	447,008
259.12	Compensated Absences		292,478	8,012	-	300,490
263.82	8/30/2001 PWTF Loan	6/1/2021	1,016,928	-	169,488	847,440
263.82	7/14/2003 PWTF Loan	6/1/2023	546,383	-	68,298	478,085
263.82	9/15/2006 2005 DWSRF Loan	10/1/2026	926,174	-	84,198	841,977
263.82	3/20/2013 DWSRF DM12-952-093	10/1/1936	1,338,291	-	70,436	1,267,855
263.82	9/24/2014 DWSRF DM13-952-130	10/1/1937	74,341	640,487	-	714,827
263.82	10/3/2016 DWSRF DM16-952-030	10/1/2036	-	146,350	-	146,350
264.30	Net Pension Liability		1,543,566	491,873	-	2,035,439
	Total Revenue and Other (non G.O.) Debt/Liabilities:		6,334,172	1,730,376	571,985	7,492,563
Assessment Debt/Liabilities (with commitments)						
253.11	6/15/2002 LID No. 24	7/1/2017	5,000	-	5,000	-
	Total Assessment Debt/Liabilities (with commitments):		5,000	-	5,000	-
	Total Liabilities:		9,151,300	1,730,376	1,215,360	9,666,316

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

Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov