



Washington State Auditor's Office

Troy Kelley

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Financial Statements Audit Report

City of Stanwood

Snohomish County

For the period January 1, 2012 through December 31, 2013

Published November 3, 2014

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**Washington State Auditor
Troy Kelley**

November 6, 2014

Council
City of Stanwood
Stanwood, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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**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 Stanwood
Snohomish County
January 1, 2012 through December 31, 2013**

Council
City of Stanwood
Stanwood, 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 Stanwood, Snohomish County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 24, 2014.

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 or permitted 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 opinion 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

September 24, 2014

Independent Auditor's Report on Financial Statements

City of Stanwood Snohomish County January 1, 2012 through December 31, 2013

Council
City of Stanwood
Stanwood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Stanwood, Snohomish County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

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 an opinion 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 Stanwood has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and 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 Stanwood, for the years ended December 31, 2013 and 2012, 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 Stanwood, as of December 31, 2013 and 2012, 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 performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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 September 24, 2014 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

September 24, 2014

Financial Section

**City of Stanwood
Snohomish County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	102 Street Impact Fee Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,672,505	1,726,215	0	0
30880	Beg Fund Bal-Unreserved	11,756,929	1,761,004	203,550	872,074
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,724,133	4,290,140	0	0
320	Licenses & Permits	323,704	305,927	0	17,777
330	Intergovernmental Revenues	326,411	167,595	130,239	28,577
340	Charges for Goods and Services	3,999,803	296,540	0	150,325
350	Fines & Penalties	74,903	34,575	0	0
360	Miscellaneous Revenues	1,382,795	387,467	1,656	2,676
Total Operating Revenues:		10,831,749	5,482,244	131,895	199,355
Operating Expenditures					
510	General Government	1,004,366	1,004,366	0	0
520	Public Safety	3,387,435	3,387,435	0	0
530	Utilities	1,881,502	0	0	0
540	Transportation	331,781	0	331,781	0
550	Natural and Economic Environment	604,746	604,746	0	0
560	Social Services	1,215	1,215	0	0
570	Culture And Recreation	435,781	435,781	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		7,646,826	5,433,543	331,781	
Net Operating Increase (Decrease):		3,184,923	48,701	-199,886	199,355
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	49,030	49,030	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	481,187	0	157,150	0
Total Nonoperating Revenues:		530,217	49,030	157,150	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	2,158,645	0	0	0
594-595	Capital Expenditures	1,223,429	266,649	0	130,691
597	Transfers-Out	481,187	215,086	0	0
Total Nonoperating Expenditures:		3,863,261	481,735		130,691
Increase (Decrease) in Cash and Investments		-148,121	-384,004	-42,736	68,664
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,335,699	1,369,447	0	0
50880	End Fund Balance-Unreserved	11,945,613	1,733,767	160,814	940,738

The accompanying notes are an integral part of this Statement.

BARS Code		104 Park Improvement Fund	105 Fire Impact Fees	120 REET - Capital Improvements	121 REET - Growth Management
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	98,687	12,184	723,479	501,852
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	103,874	103,874
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	41,011	12,950	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	373	59	2,050	1,192
Total Operating Revenues:		41,384	13,009	105,924	105,066
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		41,384	13,009	105,924	105,066
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	120,000	0	0	102,300
Total Nonoperating Revenues:		120,000			102,300
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	129,463
594-595	Capital Expenditures	71,165	0	0	0
597	Transfers-Out	17,909	0	145,171	103,021
Total Nonoperating Expenditures:		89,074		145,171	232,484
Increase (Decrease) in Cash and Investments		72,310	13,009	-39,247	-25,118
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	170,997	25,193	684,232	476,734

The accompanying notes are an integral part of this Statement.

BARS Code		203 LID Guarantee Fund	205 Debt Service Fund	207 LID 92-1 Debt Service Fund	401 Sewer Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	592,996
30880	Beg Fund Bal-Unreserved	4,907	56,726	30,188	3,356,846
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	226,245	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	1,603,401
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	14	343	86	426,163
Total Operating Revenues:		14	226,588	86	2,029,564
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	733,416
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					733,416
Net Operating Increase (Decrease):		14	226,588	86	1,296,148
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	36,400	0	0
Total Nonoperating Revenues:			36,400		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	262,602	0	1,129,200
594-595	Capital Expenditures	0	0	0	85,924
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:			262,602		1,215,124
Increase (Decrease) in Cash and Investments		14	386	86	81,024
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	591,569
50880	End Fund Balance-Unreserved	4,921	57,112	30,274	3,439,297

The accompanying notes are an integral part of this Statement.

BARS Code		410 Drainage Fund	421 Water Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	59,270	294,024
30880	Beg Fund Bal-Unreserved	934,464	3,200,968
38800/58800	Prior Period Adjustments, net	0	0
Operating Revenues			
310	Taxes	0	0
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	0	0
340	Charges for Goods and Services	462,741	1,432,835
350	Fines & Penalties	0	40,328
360	Miscellaneous Revenues	45,386	515,330
Total Operating Revenues:		508,127	1,988,493
Operating Expenditures			
510	General Government	0	0
520	Public Safety	0	0
530	Utilities	314,910	833,176
540	Transportation	0	0
550	Natural and Economic Environment	0	0
560	Social Services	0	0
570	Culture And Recreation	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:		314,910	833,176
Net Operating Increase (Decrease):		193,217	1,155,317
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	0	0
391-393	Debt Proceeds	0	0
397	Transfers-In	0	65,337
Total Nonoperating Revenues:			65,337
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	0	0
591-593	Debt Service	0	637,380
594-595	Capital Expenditures	186,976	482,024
597	Transfers-Out	0	0
Total Nonoperating Expenditures:		186,976	1,119,404
Increase (Decrease) in Cash and Investments		6,241	101,250
Ending Cash and Investments			
50810	End Fund Bal-Reserved	69,352	305,331
50880	End Fund Balance-Unreserved	930,623	3,290,911

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	102 Street Impact Fee Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,823,884	1,825,871	0	0
30880	Beg Fund Bal-Unreserved	11,592,288	1,586,370	154,998	691,398
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,607,142	4,178,348	0	0
320	Licenses & Permits	252,698	252,698	0	0
330	Intergovernmental Revenues	631,784	246,650	127,085	256,375
340	Charges for Goods and Services	3,980,562	506,441	0	101,740
350	Fines & Penalties	36,004	36,004	0	0
360	Miscellaneous Revenues	754,407	10,910	808	2,191
Total Operating Revenues:		10,262,597	5,231,052	127,893	360,306
Operating Expenditures					
510	General Government	1,028,652	1,028,652	0	0
520	Public Safety	3,067,032	3,067,032	0	0
530	Utilities And Environment	1,853,853	0	0	0
540	Transportation	266,840	0	266,840	0
550	Economic Environment	469,541	469,541	0	0
560	Mental & Physical Health	1,621	1,621	0	0
570	Culture And Recreation	346,352	346,352	0	0
598	Intergovernmental Payments	23,856	23,856	0	0
Total Operating Expenditures:		7,057,748	4,937,055	266,840	0
Net Operating Increase (Decrease):		3,204,850	293,996	-138,947	360,306
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	7,258	3,541	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	312,526	0	187,500	0
Total Nonoperating Revenues:		319,784	3,541	187,500	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	255	0	0	0
591-593	Debt Service	1,613,826	0	0	0
594-595	Capital Expenditures	1,584,763	147,407	0	179,631
597	Transfers-Out	312,526	75,154	0	0
Total Nonoperating Expenditures:		3,511,371	222,561	0	179,631
Increase (Decrease) in Cash and Investments		13,264	74,977	48,553	180,676
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,672,506	1,726,215	0	0
50880	End Fund Balance-Unreserved	11,756,929	1,761,004	203,550	872,074

The accompanying notes are an integral part of this Statement.

BARS Code		104 Park Improvement Fund	105 Fire Impact Fees	120 REET - Capital Improvements	121 REET - Growth Management
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	89,488	2,886	624,051	609,124
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	100,663	100,663
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	27,554	9,286	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	242	12	1,901	1,431
Total Operating Revenues:		27,797	9,298	102,565	102,094
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		27,796	9,298	102,565	102,094
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	18,729
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	18,598	0	3,137	190,637
Total Nonoperating Expenditures:		18,598		3,137	209,366
Increase (Decrease) in Cash and Investments		9,198	9,298	99,427	-107,272
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	98,687	12,184	723,479	501,852

The accompanying notes are an integral part of this Statement.

BARS Code		203 LID Guarantee Fund	205 Debt Service Fund	207 LID 92-1 Debt Service Fund	401 Sewer Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	604,442
30880	Beg Fund Bal-Unreserved	29,883	31,663	0	3,641,483
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	227,468	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	1,574,702
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	23	401	30,188	290,230
Total Operating Revenues:		23	227,869	30,188	1,864,932
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	775,755
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					775,755
Net Operating Increase (Decrease):		23	227,869	30,188	1,089,177
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	2,987
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	62,800	0	0
Total Nonoperating Revenues:			62,800		2,987
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	265,605	0	686,737
594-595	Capital Expenditures	0	0	0	701,511
597	Transfers-Out	25,000	0	0	0
Total Nonoperating Expenditures:		25,000	265,605		1,388,248
Increase (Decrease) in Cash and Investments		-24,977	25,064	30,188	-296,084
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	592,996
50880	End Fund Balance-Unreserved	4,907	56,726	30,188	3,356,846

The accompanying notes are an integral part of this Statement.

BARS Code		410 Drainage Fund	421 Water Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	75,086	318,486
30880	Beg Fund Bal-Unreserved	750,837	3,380,106
38800/58800	Prior Period Adjustments, net	0	0
Operating Revenues			
310	Taxes	0	0
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	1,673	0
340	Charges for Goods and Services	450,196	1,310,643
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	31,459	384,610
Total Operating Revenues:		483,328	1,695,253
Operating Expenditures			
510	General Government	0	0
520	Public Safety	0	0
530	Utilities And Environment	254,676	823,422
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental & Physical Health	0	0
570	Culture And Recreation	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:		254,676	823,422
Net Operating Increase (Decrease):		228,652	871,831
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	0	730
391-393	Debt Proceeds	0	0
397	Transfers-In	0	62,226
Total Nonoperating Revenues:			62,956
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	0	255
591-593	Debt Service	0	642,755
594-595	Capital Expenditures	60,839	495,376
597	Transfers-Out	0	0
Total Nonoperating Expenditures:		60,839	1,138,386
Increase (Decrease) in Cash and Investments		167,813	-203,599
Ending Cash and Investments			
50810	End Fund Bal-Reserved	59,270	294,024
50880	End Fund Balance-Unreserved	934,464	3,200,968

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	630 Suspense Fund	677 Transportation Benefit District
308	Beginning Cash and Investments	66,379	66,379	0
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	84,075	0	84,075
380-390	Other Increases and Financing Sources	112,547	112,547	0
510-570	Expenditures	41,687	0	41,687
580-590	Other Decreases and Financing Uses	172,742	172,742	0
	Increase (Decrease) in Cash and Investments	-17,807	-60,195	42,388
508	Ending Cash and Investments	48,572	6,184	42,388

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	630 Suspense Fund
308	Beginning Cash and Investments	23,260	23,260
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
370-390	Other Increases and Financing Sources	121,066	121,066
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	77,947	77,947
Increase (Decrease) in Cash and Investments		43,119	43,119
508	Ending Cash and Investments	66,379	66,379

The accompanying notes are an integral part of this Statement.

CITY OF STANWOOD
NOTES TO FINANCIAL STATEMENTS
January 1, 2013 through December 31, 2013

Note 1 - Summary of Significant Accounting Policies

The City of Stanwood reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Stanwood was incorporated on October 12, 1903 and operates under the laws of the state of Washington applicable to an optional municipal code city. The City is a general purpose government and provides public safety, fire prevention, street improvement, parks, health, ambulance, social services, and water, drainage and sewer utilities. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

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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.

Agency Funds

These funds are used to account assets that the City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City adopts annual appropriated budgets for all required funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Fund	2013 Final Appropriated Amounts	Actual Expenditures	Variance
General Fund				
	001 - General Fund	\$ 5,730,716	\$ 5,546,330	\$ 184,386
	107 - Equipment Reserve Fund	\$ 40,000	\$ 10,063	\$ 29,937
	109 - Contingency Fund	\$ 102,300	\$ 102,300	\$ -
	110 - Building Improvement Fund	\$ 293,000	\$ 256,585	\$ 36,415
	Total General Fund	\$ 6,166,016	\$ 5,915,278	\$ 250,738
Street Fund				
	101 - Street Fund	\$ 332,750	\$ 331,781	\$ 969
	102 - Street Impact Fee Fund	\$ 3,800	\$ 3,670	\$ 130
	103 - Street Construction Fund	\$ 296,500	\$ 127,021	\$ 169,479
	Total Street Fund	\$ 633,050	\$ 462,471	\$ 170,579
	104 - Park Improvement Fund	\$ 207,909	\$ 89,074	\$ 118,835
	120 - REET - Capital Improvements	\$ 145,171	\$ 145,171	\$ -
	121 - REET - Growth Management	\$ 271,582	\$ 232,484	\$ 39,098
	205 - Debt Service Fund	\$ 263,250	\$ 262,602	\$ 648
Sewer Fund				
	401 - Sewer Fund	\$ 2,023,865	\$ 1,862,616	\$ 161,249
	403 - Sewer Construction Fund	\$ 206,000	\$ 43,315	\$ 162,685
	405 - Sewer Plant Investment Fund	\$ -	\$ -	\$ -
	457 - Sewer Equipment Reserve	\$ 163,000	\$ 42,608	\$ 120,392
	Total Sewer Fund	\$ 2,392,865	\$ 1,948,539	\$ 444,326
Drainage Fund				
	410 - Drainage Fund	\$ 317,253	\$ 314,911	\$ 2,342
	411 - Drainage Construction Fund	\$ 410,000	\$ 186,976	\$ 223,024
	412 - Drainage Plant Investment Fund	\$ -	\$ -	\$ -
	458 - Drainage Equipment Reserve	\$ 10,000	\$ -	\$ 10,000
	Total Drainage Fund	\$ 737,253	\$ 501,887	\$ 235,366
Water Fund				
	421 - Water Fund	\$ 1,266,565	\$ 1,259,106	\$ 7,459
	422 - Water Construction Fund	\$ 956,000	\$ 482,022	\$ 473,978
	424 - Water Plant Investment Fund	\$ -	\$ -	\$ -
	451 - Water Bond Reserve	\$ 211,450	\$ 211,450	\$ -
	459 - Water Equipment Reserve	\$ 10,000	\$ -	\$ 10,000
	Total Water Fund	\$ 2,444,015	\$ 1,952,578	\$ 491,437
	677 - Transportation Benefit District	\$ 45,689	\$ 41,687	\$ 4,002
	Total	\$ 13,306,800	\$ 11,551,772	\$ 1,755,028

Budgeted amounts are authorized to be transferred between departments within any fund; 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 Council.

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 prorated to the various funds.

E. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave for non-represented, administrative and public works employees may be accumulated up to 240 hours, but in no case exceed 240 hours at the end of the calendar year. Upon termination, these employees may receive compensation for up to 240 hours of accrued vacation.

Sick leave may be accumulated up to 640 hours for non-represented, public works and administrative employees. Upon retirement or death, employees receive 33% of unused sick leave.

Compensatory time may be accumulated up to 100 hours for non-exempt, administrative and public works employees, but in no case may exceed 100 hours at the end of any payroll period. Upon separation or retirement, employees receive payment for up to 100 hours of unused compensatory time.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers in, operating transfers out, and bond proceeds.

K. Risk Management

The City of Stanwood 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 153 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 \$750,000, 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.

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.

L. Reserved Fund Balance

The City has reserved funds in the total amount of \$2,335,700 as follows:

Fund	Amount	Description
General	100,000	General Reserve
General	169,648	Equipment Reserve Sub-fund
General	239,931	Contingency Reserve Sub-fund
General	859,868	Building Improvement Sub-fund
Sewer	467,571	Sewer Bond Reserve Sub-fund
Sewer	123,998	Sewer Equipment Reserve Sub-fund
Storm Drainage	69,352	Drainage Equipment Reserve Sub-fund
Water	215,602	Water Bond Reserve Sub-fund
Water	89,729	Water Equipment Reserve Sub-fund
Total	2,335,700	

Note 2 - Investments

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

Local Government Investment Pool and money market Investments are presented at fair market value. Agency investments are presented at cost.

Investments by type at December 31, 2013 are as follows:

Type of Investment	Balance
Local Government Investment Pool	\$ 5,853,663
Money Market	\$ 2,000,108
Agency	\$ 5,971,876
Total	\$ 13,825,647

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 2013 was \$3.31366910 per \$1,000 on an assessed valuation of \$591,926,022 for a total regular levy of \$1,961,447.

In 2013, the City also levied \$0.50 per \$1,000 on an assessed valuation of \$591,926,022 for a total additional levy of \$295,963.

In 2013, the City also levied \$0.04736544 per \$1,000 on an assessed valuation of \$586,913,207 for general obligation bond debt service (Stanwood G.O. Bond 1994) for an additional levy of \$27,799.

In 2013, the City also levied \$0.33701022 per \$1,000 on an assessed valuation of \$586,913,207 for general obligation bond debt service (Stanwood G.O. Bond 2000) for an additional levy of \$197,796.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (Schedule 09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principal and interest, are as follows:

	General Obligation Debt	Revenue Bonds	Other	Total Debt
2014	\$ 223,800	\$ 209,350	\$ 1,001,586	\$ 1,434,736
2015	\$ 201,800	\$ 211,200	\$ 978,837	\$ 1,391,837
2016	\$ 195,400	\$ 211,800	\$ 935,857	\$ 1,343,057
2017	\$ 199,000	\$ 212,200	\$ 932,863	\$ 1,344,063
2018	\$ 197,200	\$ 209,200	\$ 929,870	\$ 1,336,270
2019-2023	\$ 403,000	\$ 1,054,800	\$ 4,604,456	\$ 6,062,256
2024-2028	\$ -	\$ 1,055,800	\$ 1,627,286	\$ 2,683,086
2029-2033	\$ -	\$ 637,800	\$ -	\$ 637,800
				\$ -
Totals	\$ 1,420,200	\$ 3,802,150	\$ 11,010,756	\$ 16,233,106

Note 5 - Pension Plans

Substantially all the City’s full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Note 6 – Joint Ventures and Jointly Governed Organizations

Joint Ventures

The City is involved in a joint operation with other governmental entities in the establishment and operation of the Snohomish County Police Staff and Auxiliary Services Center, presently known as SNOPAC. The city, in conjunction with (currently 33) other governmental entities, participates in this joint venture. Control of SNOPAC is with an 11 member Board of Directors which is specified in the Interlocal Agreement. Using the same criteria applied to the other organizations to determine the reporting entity, this joint venture is not included in the city's annual financial statements.

SNOPAC was created under the Interlocal Cooperation Act, as codified in RCW 39.34, the needed statutory authority and opportunity for Snohomish County and the Cities, towns, fire districts, hospital districts and miscellaneous service districts to enter into a contract and agreement to cooperatively establish, maintain and operate a support communications center.

SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

Note 7 - Other Disclosures – Major Contracted Services

Police Contract

In 2013, the City extended its contract with Snohomish County to provide law enforcement services for an additional five (5) years, from 2014 through 2018 as follows:

Table 1 – Police Contract

Year	Annual Contract	Increase	Percentage Increase
2012	\$ 1,378,978	\$ -	
2013	\$ 1,407,373	\$ 28,395	2.1%
2014	\$ 1,478,296	\$ 70,923	5.0%
2015	\$ 1,567,042	\$ 88,746	6.0%
2016	\$ 1,656,503	\$ 89,461	5.7%
2017	\$ 1,666,371	\$ 9,868	0.6%
2018	\$ 1,717,688	\$ 51,317	3.1%

Fire Contract

Effective April 1, 2012, the City contracted with North County Fire District to provide fire protection and ambulance services. The contract term is for nineteen years and nine months, and expires at the end of 2031. Annual payments to North County Fire District for fire protection are as follows:

Table 2 – Fire & EMS Contract

Year	Annual Contract	Increase	Percentage Increase
2012 (Note 1)	\$ 997,359	\$ -	
2013	\$ 1,279,400	\$ -	0%
2014	\$ 1,279,400	\$ -	0%
2015	\$ 1,279,400	\$ -	0%
2016	\$ 1,279,400	\$ -	0%
2017 (Note 2)	\$ 319,850	\$ -	0%

Note 1: The fire contract between North County Fire District and the City of Stanwood commenced on April 1, 2012. During the first five (5) years of the contract, the maximum rate at which the city may be charged for fire and EMS services shall be the Fire Authority’s General Fire and EMS levy rate times the City’s 2012 Assessed Valuation and in no event shall said rate be greater than \$2.00 per \$1,000 if assessed valuation. The \$1,279,400 annual contract amount was computed as follows:

Assessed Valuation for the City of Stanwood for 2012:	\$639,700,000
Divided by \$1,000:	<u>/ \$1000</u>
Result:	\$ 639,700
Times \$2	<u>X \$2.00</u>
Annual Charge for Service	<u>\$ 1,279,400</u>

Note 2: The initial five (5) year term, for purposes of the guaranteed annual rate, will expire on March 31, 2017. Per the contract, the new annual rate would be based on levy rate normally charged by the fire district times the current assessed valuation of the city, unless another method can be negotiated between the parties.

Library Contract

The city contracts with Sno-Isle Regional Library to provide library services. Following are annual amounts paid under this contract:

Table 3 – Library Services Contract

Year	Annual Contract	Increase	Percentage Increase
2011	\$ 226,859	\$ -	
2012	\$ 232,240	\$ 5,381	2.4%
2013	\$ 251,776	\$ 19,536	8.4%
2014	\$ 289,200	\$ 37,424	14.9%

After calendar year 2014, per contract, the city shall pay an annual contract amount determined by multiplying the library district's then current uniform tax levy rate by the assessed valuation of properties located within the city.

The city is currently considering putting a library annexation vote on the ballot in 2015.

Overpayment of Grant Repaid

During 2013 staff discovered that the city had improperly filed for and received federal and state grant funds related to the 2009 storm event in the total amount of \$12,155 (\$10,418.57 federal and \$1,736.43 state).

After conducting an investigation with local law enforcement and coordinating with the State Auditor and the State of Washington Military Dept. – Emergency Management Division, the city repaid the \$12,155 to the Washington Military Department to conclude and settle this matter.

Transportation Benefit District

The Stanwood Transportation Benefit District (TBD) was established as a quasi-municipal corporation, an independent taxing district on November 19, 2012. The District is a governmental special purpose entity governed by a separate board of directors made up of existing city council members. The TBD was created for the purpose of acquiring, constructing, improving, providing and funding transportation improvements within the District, which has identical boundaries as the City of Stanwood limits.

On February 12, 2013 the citizens passed a ballot measure to enact a 0.2% (two tenths of one percent) sales tax increase to be collected within the District effective July 1, 2013. The additional sales tax collected by the TBD amounts to about \$250,000 per year and is used to support transportation projects within the City of Stanwood.

Under an interlocal agreement between the city and the TBD, city staff is responsible for managing the business of the TBD, and it is treated as an agency fund on the city's annual financial report. The Stanwood Transportation District, as a separate legal entity, also files a separate annual financial report with the State Auditor each year.

Purchase of Land – Subsequent Event

Subsequent to the December 31, 2013 year end, the city entered into a purchase and sale agreement to purchase fifteen (15) acres of land using Snohomish County Conservation Futures grant funding in the total amount of \$1.3 million.

CITY OF STANWOOD
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2012

Note 1 - Summary of Significant Accounting Policies

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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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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.

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The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City adopts annual appropriated budgets for all required funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	2012 Final		
	Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 5,190,698	\$ 5,054,438	\$ 136,260
Street Fund	\$ 350,803	\$ 266,840	\$ 83,963
Street Impact Fee Fund	\$ 432,477	\$ 179,631	\$ 252,846
Street Construction Fund	\$ -	\$ -	\$ -
Park Improvement Fund	\$ 18,598	\$ 18,598	\$ -
Fire Impact Fees	\$ -	\$ -	\$ -
Equipment Reserve Fund	\$ 120,970	\$ 78,448	\$ 42,522
Contingency Fund	\$ -	\$ -	\$ -
Building Improvement Fund	\$ 113,500	\$ 61,730	\$ 51,770
REET - Capital Improvements	\$ 3,137	\$ 3,137	\$ -
REET - Growth Management	\$ 209,366	\$ 209,366	\$ -
LID Guarantee Fund	\$ 25,000	\$ 25,000	\$ -
Debt Service Fund	\$ 266,250	\$ 265,605	\$ 645
Sewer Fund	\$ 1,559,296	\$ 1,501,939	\$ 57,357
Sewer Construction Fund	\$ 671,500	\$ 648,257	\$ 23,243
Sewer Plant Investment Fund	\$ 200,000	\$ 200,000	\$ -
Drainage Fund	\$ 274,612	\$ 274,598	\$ 14
Drainage Construction Fund	\$ 228,000	\$ 34,793	\$ 193,207
Drainage Plant Investment Fund	\$ -	\$ -	\$ -
Water Fund	\$ 1,574,535	\$ 1,480,284	\$ 94,251
Water Construction Fund	\$ 1,065,000	\$ 459,994	\$ 605,006
Cedar Home Plant Investment	\$ -	\$ -	\$ -
Water Plant Investment Fund	\$ -	\$ -	\$ -
Water/Sewer Bond Reserve	\$ 213,583	\$ 213,583	\$ -
Utility Equipment Reserve	\$ 125,000	\$ 114,683	\$ 10,317
Total	\$ 12,642,325	\$ 11,090,924	\$ 1,551,401

Budgeted amounts are authorized to be transferred between departments within any fund; 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 Council.

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 prorated to the various funds.

E. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave for non-represented, administrative and public works employees may be accumulated up to 240 hours, but in no case exceed 240 hours at the end of the calendar year. Upon termination, these employees may receive compensation for up to 240 hours of accrued vacation.

Sick leave may be accumulated up to 640 hours for non-represented, public works and administrative employees. Upon retirement or death, employees receive 33% of unused sick leave.

Compensatory time may be accumulated up to 100 hours for non-exempt, administrative and public works employees, but in no case may exceed 100 hours at the end of any payroll period. Upon separation or retirement, employees receive payment for up to 100 hours of unused compensatory time.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers in, operating transfers out, and bond proceeds.

K. Risk Management

The City of Stanwood 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 153 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 \$750,000, 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.

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.

L. Reserved Fund Balance

The City has reserved funds in the total amount of \$2,672,506 as follows:

Fund	Amount	Description
General	100,000	General Reserve
General	136,506	Equipment Reserve Sub-fund
General	376,284	Contingency Reserve Sub-fund
General	1,113,425	Building Improvement Sub-fund
Sewer	466,927	Sewer Bond Reserve Sub-fund
Sewer	126,069	Sewer Equipment Reserve Sub-fund
Storm Drainage	59,270	Drainage Equipment Reserve Sub-fund
Water	214,405	Water Bond Reserve Sub-fund
Water	79,619	Water Equipment Reserve Sub-fund
Total	2,672,505	

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 are presented at cost.

Investments by type at December 31, 2012 are as follows:

Type of Investment	Balance
Local Government Investment Pool	\$ 8,304,627
Agency	\$ 5,975,867
Total	\$ 14,280,494

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 2012 was \$3.03905856 per \$1,000 on an assessed valuation of \$639,696,397 for a total regular levy of \$1,944,075.

In 2012, the City also levied \$0.50 per \$1,000 on an assessed valuation of \$639,696,397 for a total additional levy of \$319,848.

In 2012, the City also levied \$0.04415478 per \$1,000 on an assessed valuation of \$634,118,647 for general obligation bond debt service (Stanwood G.O. Bond 1994) for an additional levy of \$27,999.

In 2012, the City also levied \$0.31412971 per \$1,000 on an assessed valuation of \$634,118,647 for general obligation bond debt service (Stanwood G.O. Bond 2000) for an additional levy of \$199,196.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (Schedule 09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for year ended December 31, 2012.

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principal and interest, are as follows:

	General Obligation Debt	Revenue Bonds	Other	Total Debt
2012	\$ 265,000	\$ 213,583	\$ 1,134,638	\$ 1,613,221
2013	\$ 262,000	\$ 211,450	\$ 1,129,437	\$ 1,602,887
2014	\$ 223,800	\$ 209,350	\$ 1,124,235	\$ 1,557,385
2015	\$ 201,800	\$ 211,200	\$ 1,100,061	\$ 1,513,061
2016	\$ 195,400	\$ 211,800	\$ 1,055,657	\$ 1,462,857
2017-2021	\$ 799,200	\$ 1,049,400	\$ 4,877,580	\$ 6,726,180
2022-2026	\$ -	\$ 1,059,000	\$ 3,460,092	\$ 4,519,092
2027-2031	\$ -	\$ 1,061,400	\$ -	\$ 1,061,400
				\$ -
Totals	\$ 1,947,200	\$ 4,227,183	\$ 13,881,700	\$ 20,056,083

Note 5 - Pension Plans

Substantially all the City’s full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Note 6 – Joint Ventures and Jointly Governed Organizations

Joint Ventures

The City is involved in a joint operation with other governmental entities in the establishment and operation of the Snohomish County Police Staff and Auxiliary Services Center, presently known as SNOPAC. The city, in conjunction with (currently 33) other governmental entities, participates in this joint venture. Control of SNOPAC is with an 11 member Board of Directors which is specified in the Interlocal Agreement. Using the same criteria applied to the other organizations to determine the reporting entity, this joint venture is not included in the city's annual financial statements.

SNOPAC was created under the Interlocal Cooperation Act, as codified in RCW 39.34, the needed statutory authority and opportunity for Snohomish County and the Cities, towns, fire districts, hospital districts and miscellaneous service districts to enter into a contract and agreement to cooperatively establish, maintain and operate a support communications center.

SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

Note 7 - Other Disclosures – Major Contracted Services

In 2011, the City extended its contract with Snohomish County to provide law enforcement services. The contracted term is for three (3) years and expires at the end of 2013. The annual contract for 2012 was \$1,378,978.

Effective April 1, 2012, the City contracted with North County Fire District to provide fire protection and ambulance services. The contract term is for nineteen years and nine months, and expires at the end of 2031. Payments for 2012 totaled \$997,359 for nine months of fire protection services.

The city contracts with Sno-Isle Regional Library to provide library services. Following are annual amounts paid under this contract:

Library Services Contract

Year	Annual Contract	Increase	Percentage Increase
2011	\$ 226,859	\$ -	
2012	\$ 232,240	\$ 5,381	2.4%
2013	\$ 251,776	\$ 19,536	8.4%
2014	\$ 289,200	\$ 37,424	14.9%

After calendar year 2014, per contract, the city shall pay an annual contract amount determined by multiplying the library district's then current uniform tax levy rate by the assessed valuation of properties located within the city.

The city has put a library annexation vote on the November 4, 2014 general election ballot.

City of Stanwood

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	2007 G.O. BOND	12/1/2013	35,000	0	35,000	0
	251.12	2007 G.O. BOND	12/1/2020	1,390,000	0	170,000	1,220,000
	263.81	2002 INTERLOCAL AGREEMENT	6/30/2021	130,207	0	130,207	0
	259.11	COMPENSATED ABSENCES		73,104	13,248	0	86,352
Total General Obligations:				1,628,311	13,248	335,207	1,306,352
Revenue Obligations							
	252.11	2011 WATER REVENUE BONDS	12/1/2031	2,785,000	0	105,000	2,680,000
	263.82	1995 PWTF-WATER	7/1/2015	117,611	0	39,203	78,408
	263.82	1996 PWTF-SEWER	7/1/2016	247,930	0	247,930	0
	263.82	2003 PWTF-WATER	7/1/2023	247,210	0	22,474	224,736
	263.82	2001 PWTF-TREATMENT PLANT	7/1/2020	295,397	0	295,397	0
	263.82	2003 SRF-WW TREATMENT PLANT	8/3/2026	5,615,184	0	465,029	5,150,155
	263.82	2005 PWTF-WATER	7/1/2025	1,813,748	0	139,519	1,674,229
	263.82	2006 PWTF-271ST TRUNKLINE	7/1/2026	1,496,895	0	106,921	1,389,974
	263.82	2006 PWTF-BRYANT WELL	7/1/2026	2,413,382	0	172,385	2,240,997
	263.82	2008 PWTF-WATER SYS PLAN	7/1/2014	37,944	0	18,973	18,971
	259.12	COMPENSATED ABSENCES		32,446	15,152	0	47,598
Total Revenue Obligations:				15,102,747	15,152	1,612,831	13,505,068
Total Liabilities:				16,731,058	28,400	1,948,038	14,811,420

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

City of Stanwood

Schedule of Liabilities

For the year ended December 31, 2012

Debt Type	ID No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	251.11	2007 G.O. BOND	12/1/2013	70,000		35,000	35,000
	251.12	2007 G.O. BOND	12/1/2020	1,555,000		165,000	1,390,000
	263.81	2002 INTERLOCAL AGREEMENT	6/30/2021	141,172		10,965	130,207
	259.11	Compensated Absences		142,888		69,784	73,104
		Total General Obligations:		1,909,060		280,749	1,628,311
Revenue Obligations							
	252.11	2011 WATER REVENUE BONDS	12/1/2031	2,880,000		95,000	2,785,000
	263.82	1995 PWTF-WATER	7/1/2015	156,814		39,203	117,611
	263.82	1996 PWTF-SEWER	7/1/2016	309,913		61,983	247,930
	263.82	2003 PWTF-WATER	7/1/2023	269,684		22,474	247,210
	263.82	2001 PWTF-TREATMENT PLANT	7/1/2020	332,322		36,925	295,397
	263.82	2003 SRF-WW TREATMENT PLNT	8/3/2026	6,080,213		465,029	5,615,184
	263.82	2005 PWTF-WATER	7/1/2025	1,953,267		139,519	1,813,748
	263.82	2006 PWTF-271ST TRUNKLINE	7/1/2026	1,603,816		106,921	1,496,895
	263.82	2006 PWTF-BRYANT WELL	7/1/2026	2,585,767		172,385	2,413,382
	263.82	2008 PWTF-WATER SYS PLAN	7/1/2014	56,917		18,973	37,944
	259.12	Compensated Absences		31,433	1,013		32,446
		Total Revenue Obligations:		16,260,146	1,013	1,158,412	15,102,747
		Total Liabilities:		18,169,206	1,013	1,439,161	16,731,058

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

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov