

Schedule of Audit Findings and Responses

**City of Cosmopolis
Grays Harbor County
January 1, 2012 through December 31, 2013**

- 1. The City has not effectively managed its operations, resulting in a decline in its financial condition.**

Description of Condition

The City's financial position has declined over the past several years. The City's total cash and investments balances were:

Fiscal Year	Total Cash & Investments
2010	\$1,112,805
2011	1,198,868
2012	1,096,055
2013	863,510

The City's General Fund had the following cash and investment balances that were not restricted and available for spending:

December 31, 2012	December 31, 2013	October 31, 2014
70,200	(82,164)	(155,481)

The City is anticipating that at the end of fiscal year 2014 the General Fund will have a deficit which will require an inter-fund loan from restricted funds in order to continue operations.

In addition, as communicated in Finding No. 1 in the Accountability Audit Report, the City lacks adequate internal controls over financial operations to ensure public funds are safeguarded.

Cause of Condition

The City did not react to economic events and establish a formal plan to improve its financial position by altering current operations or reducing expenses.

Effect of Condition

The City is at risk of not being able to meet financial obligations or maintain services at its current levels. This could result in the City needing to cut services or obtain bank loans or find other sources of funding, which may be an additional cost to taxpayers.

Recommendation

We recommend the City:

- Adopt and follow a formal comprehensive plan that includes detailed financial benchmarks and guidelines to specifically meet the needed funding requirements.
- Closely monitor and evaluate its financial activities to ensure the plan is being followed and the desired results are achieved.
- Revise the plan as needed to resolve the funding issues.

City's Response

The Mayor and Council are aware of the financial position of the City in terms of revenue shortfalls and spending.

The Mayor will soon present to the Council proposals/ideas to rectify both spending and revenue shortfalls, for example but not limited to the following:

- *Review and revise the Cumulative Reserve Ordinance*
- *Review and possibly change the threshold for the payment of B & O taxes*
- *The Treasurer's office will provide a quarterly statement to the Mayor and the Council indicating the City's current financial position vis a vis revenue vs expenditure.*
- *Employ the use of inter-fund loans to partially correct the city's current position*
- *The Mayor will appoint a working Finance Committee which will meet regularly to monitor the City's finances and report to the Council*
- *The Mayor will meet regularly with Department Heads to monitor expenditures*

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue. We will review the condition during our next audit.