



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Town of Creston

Lincoln County

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

Published September 24, 2015

Report No. 1015136





Washington State Auditor's Office

September 24, 2015

Mayor and Town Council
Town of Creston
Creston, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

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FEDERAL SUMMARY

**Town of Creston
Lincoln County
January 1, 2014 through December 31, 2014**

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

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

<u>CFDA No.</u>	<u>Program Title</u>
14.228	CDBG - State-Administered CDBG Cluster - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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

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

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

**Town of Creston
Lincoln County
January 1, 2014 through December 31, 2014**

Mayor and Town Council
Town of Creston
Creston, 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 Town of Creston, Lincoln County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated September 4, 2015.

We issued an unmodified opinion on the fair presentation of the Town'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 Town 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 audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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.

In addition, we noted certain matters that we will report to the management of the Town in a separate letter dated September 15, 2015.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town'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 Town'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 Town'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 blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

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

September 4, 2015

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

**Town of Creston
Lincoln County
January 1, 2014 through December 31, 2014**

Mayor and Town Council
Town of Creston
Creston, Washington

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

PURPOSE OF THIS REPORT

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



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

September 4, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Creston Lincoln County January 1, 2014 through December 31, 2014

Mayor and Town Council
Town of Creston
Creston, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Creston, Lincoln County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 15.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 Town of Creston 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 Town of Creston, for the year ended December 31, 2014, 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 Town 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 Town of Creston, as of December 31, 2014, or the changes in financial position or cash flows for the year 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 audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also 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 4, 2015 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



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

September 4, 2015

FINANCIAL SECTION

**Town of Creston
Lincoln County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

Town of Creston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 Current Expense	135 Growth Management Fund
Beginning Cash and Investments				
30810	Reserved	74,342	-	-
30880	Unreserved	178,429	43,987	6,103
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	62,397	62,396	1
320	Licenses and Permits	778	778	-
330	Intergovernmental Revenues	674,157	20,109	-
340	Charges for Goods and Services	222,100	26,002	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	7,446	7,267	7
Total Operating Revenues:		<u>966,877</u>	<u>116,551</u>	<u>8</u>
Operating Expenditures				
510	General Government	53,826	48,159	-
520	Public Safety	44,353	41,302	-
530	Utilities	149,567	16,582	-
540	Transportation	24,093	24,093	-
550	Natural and Economic Environment	-	-	-
560	Social Services	38	38	-
570	Culture and Recreation	-	-	-
Total Operating Expenditures:		<u>271,877</u>	<u>130,174</u>	<u>-</u>
Net Operating Increase (Decrease):		695,000	(13,623)	8
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	1,657	-	-
391-393	Debt Proceeds	200,616	-	-
397	Transfers-In	28,592	20,000	-
Total Nonoperating Revenues:		<u>230,865</u>	<u>20,000</u>	<u>-</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	15,944	-	-
594-595	Capital Expenditures	794,425	-	-
597	Transfers-Out	28,592	-	-
Total Nonoperating Expenditures:		<u>838,962</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Investments:		86,904	6,377	8
Ending Cash and Investments				
50810	Reserved	146,026	1,471	6,111
50880	Unreserved	193,649	48,892	-

The accompanying notes are an integral part of this statement.

401 Water Fund	402 Sewer Fund	403 Garbage Fund	407 Landfill Closure Fund	500 Unemployment Compensation Fund	701 Cemetery Endowment Fund
-	-	-	-	-	74,342
27,443	181	50,882	44,175	5,659	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
651,528	-	-	2,520	-	-
91,971	65,176	37,513	-	1,438	-
-	-	-	-	-	-
52	1	51	62	6	-
743,551	65,177	37,563	2,582	1,445	-
1,044	754	807	-	3,062	-
1,503	1,548	-	-	-	-
54,788	45,558	29,640	3,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
57,334	47,860	30,447	3,000	3,062	-
686,216	17,317	7,116	(418)	(1,617)	-
1,657	-	-	-	-	-
200,616	-	-	-	-	-
8,592	-	-	-	-	-
210,865	-	-	-	-	-
-	-	-	-	-	-
15,944	-	-	-	-	-
794,004	422	-	-	-	-
-	8,592	20,000	-	-	-
809,948	9,014	20,000	-	-	-
87,133	8,303	(12,884)	(418)	(1,617)	-
60,060	-	-	-	4,041	74,342
54,516	8,484	37,999	43,757	-	-

The accompanying notes are an integral part of this statement.

Town of Creston
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

	Total for All Funds (Memo Only)	600 Utility Trust Fund
308	Beginning Cash and Investments	4,144
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	485
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	302
	Net Increase (Decrease) in Cash and Investments:	183
508	Ending Cash and Investments	4,327

The accompanying notes are an integral part of this statement.

Town of Creston
For the Year Ended December 31, 2014
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The Town of Creston was incorporated on May 30, 1903 and operates under the laws of the State of Washington applicable to a code city. The Town of Creston is a general purpose local government and provides street improvements, fire protection, ambulance, public safety, garbage collection, and parks. In addition, the Town owns and operates a water/sewer system. The Town of Creston uses single-entry, cash basis accounting.

The Town of Creston 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 general 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 are the fund types used by the Town of Creston.

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund 001

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

Special Revenue Funds 100-199

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

Debt Service Funds 200-299

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 Fund 412

This fund accounts for financial resources that are legally restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Fund 701

This fund accounts for financial resources that are legally restricted to the extent that only earning, 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 400-499

These funds account for operations that provide goods or services to other departments or funds of the Town of Creston on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary Fund 600

This fund accounts for assets held by the Town of Creston in a trustee capacity or as an agent on behalf of others.

b. Basis of Accounting and Measurement Focus

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 Town of Creston also recognized expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Budgets

The Town of Creston adopts annual appropriated budgets for general, special revenue, capital projects, and enterprise funds. These budgets are appropriated at the fund level (except the general current expense) 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 follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense			
Current Expense	73,635.00	69,068.96	4,566.04
Ambulance Fund	26,000.00	27,938.95	-1,938.95
Street Fund	30,270.00	27,945.66	2,324.34
Cemetery Fund	<u>5,265.00</u>	<u>5,220.36</u>	<u>44.64</u>
Total 001 - Current Expense	<u>135,170.00</u>	<u>130,173.93</u>	<u>4,996.07</u>
401 - Water Fund			
1981 Bond Redemption Fund	14,300.00	15,735.00	-1,435.00
Water Meter Fund	3,500.00		3,500.00
Water Fund	83,475.00	57,543.50	25,931.50
Capital Project Water Reservoir	<u>1,285,000.00</u>	<u>794,003.62</u>	<u>490,996.38</u>
Total 401 - Water Fund	<u>1,386,275.00</u>	<u>867,282.12</u>	<u>518,992.88</u>
402 - Sewer Fund	78,475.00	56,873.74	21,601.26
403 - Garbage Fund			
Garbage Fund	37,050.00	50,446.65	-13,396.65
Garbage Reserve Fund	<u>750</u>	<u>0</u>	<u>750</u>
Total 403 - Garbage Fund	<u>37,800.00</u>	<u>50,446.65</u>	<u>-12,646.65</u>
407 - Landfill Closure Fund	3,750.00	3,000.00	750
500 - Unemployment Compensation Fund	2,000.00	3,062.27	-1,062.27
600 - Utility Trust Fund	500	301.88	198.12

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 employments must be approved by the Town of Creston's legislative body.

d. Cash and Investments

See Note 3, Deposits and Investments.

e. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000. And an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 28 days and is payable upon separation or retirement. Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

g. Long-Term Debt

See Note 5, Debt Service Requirements.

h. Other Financing Sources or Uses

The Town of Creston's "Other Financing Sources or Uses" consist of operating transfers in and operating transfers out.

i. Risk Management

The Town of Creston is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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, 2014 there are 223 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 member's various needs.

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. 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 \$3,259,396, to cap the total claims paid by the program in any one year.

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 and 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.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The interlocal agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for an 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 for the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1 beginning with the 2014-15 policy term. An endorsement was added to the 2013-14 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014 were \$1,817,654.59.

J. 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 council. When expenditures that meet restrictions are incurred, the Town of Creston intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- 101 Street Fund - \$1,471.49 reserved for street operations
- 135 Growth Management Fund - \$6,111.20 reserved for economic growth
- 400 Water Meter Fund - \$1,919.50 – reserved for infrastructure replacement
- 412 Capital Project Water Reservoir Fund - \$58,140.61 reserved for capital asset replacement
- 500 Unemployment Compensation Fund - \$4,041.02 reserved for future unemployment costs

Note 2 – Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions.

Note 3 – Deposits and Investments

It is the Town of Creston’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits are covered by the Federal Deposit Insurance Corporation and/ or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Town of Creston or its agent in the government’s name.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Town of Creston’s Own Investments</u>	<u>Total</u>
L.G.I.P.	\$ 218,805.50	\$ 218,805.50

Note 4 – Property Tax

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

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

The Town of Creston’s regular levy for the year 2014 was 102.7440 per \$1,000.00 on an assessed valuation of \$ 7,026,779 for a total regular levy of \$ 22,129.00.

Note 5 –Long Term Debt

The accompanying Schedule of Long Term Liabilities (09) provides more details of the outstanding debt and liability of the Town of Creston and summarizes the Town of Creston’s debt transactions for 2014.

The debt service principle payment for the fiscal year being reported and future payment requirements are as follows.

Year	Revenue Debt 1981 USDA Loan
2014	\$ 14,644
2015	\$ 14,644
2016	\$ 14,644
2017	\$ 14,644
2018	\$ 14,644
2019-2021	\$ 29,288
Total	\$102,508

Year	Revenue Debt 2014 PWTF Loan
2014	\$ 209
2015	\$ 25,841
2016	\$ 25,635
2017	\$ 25,386
2018	\$ 25,137
Total	\$102,208

Year	Revenue Debt 2014 USDA Loan 91-06
2014	\$0
2015	\$ 9,970
2016	\$ 9,970
2017	\$ 9,970
2018	\$ 9,970
2019-2023	\$49,850
2024-2028	\$49,850
2029-2033	\$49,850
2034-2038	\$49,850
2039-2043	\$49,850
2044-2048	\$49,850
2049-2053	\$49,850
2054-2055	\$19,940
Total	\$408,770

Year	Revenue Debt 2014 USDA Loan 91-09
2014	\$0
2015	\$ 2,972
2016	\$ 2,972
2017	\$ 2,972
2018	\$ 2,972
2019-2023	\$14,860
2024-2028	\$14,860
2029-2033	\$14,860
2034-2038	\$14,860
2039-2043	\$14,860
2044-2048	\$14,860
2049-2053	\$14,860
2054-2055	\$ 5,944
Total	\$121,852

Note 6 – Pension Plans

Substantially all Town of Creston's full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS) Plan 3, 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 Town of Creston'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
P.O. Box 48380
Olympia, WA 98504-8380

Note 7 – Other Disclosures

In 2014 Town of Creston received grant monies and loan monies to acquire a new water reservoir. The town received USDA loans in the amount of \$246,000, USDA grants in the amount of \$139,000, Public Works Trust Fund loan in the amount of \$130,000 and CDBG grant in the amount of \$750,000. The project completion date is May of 2015. The long term debt reported in Note 5 was deemed from amortization schedules supplied by USDA and Public Works. The amounts reported are principle and interest.

At the December 18, 2014 Town of Creston regularly scheduled town council meeting the decision was made and approved by council to make a one-time transfer of \$20,000 from the garbage fund to the general fund. The fund has few expenditures and continues to incrementally grow. Council approved Resolution 2014-20 to transfer \$20,000 from the garbage fund to the general fund. Motion carried.

The PWTF Loan will be amended to a revised 20 year loan repayment in June. In 2013 I reported an ending balance on the loan of \$130,000, which was the total loan amount. The correct ending balance should have been reported as \$29,619 which was amount received in year 2013.

In 2014, fund 220 - 1981 Bond Redemption Fund was reclassified as a 400 enterprise fund that rolls into the 401 Water operations fund.

**Town of Creston
Schedule of Liabilities
For the Year Ended December 31, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
263.81	1981 USDA Loan	10/1/2021	117,200	-	10,000	107,200
263.81	PWTF Loan	4/23/2018	29,619	69,935	-	99,554
263.81	2014 USDA Loan	10/24/2054	-	130,681	-	130,681
259.11	Compensated Absences - Governmental		1,087	-	468	619
259.11	Compensated Absences - Proprietary		841	-	702	139
Total General Obligations:			148,747	200,616	11,170	338,193
Total Liabilities:			148,747	200,616	11,170	338,193

Town of Creston
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA State Dept Of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	2014	651,528	-	651,528	1,2
Total CDBG - State-Administered CDBG Cluster:				651,528	-	651,528	
Water and Waste Program Cluster							
Rural Utilities Service, Department Of Agriculture	Water and Waste Disposal Systems for Rural Communities	10.760	2014 Loan	-	130,681	130,681	1,2,3
Total Water and Waste Program Cluster:				-	130,681	130,681	
Total Federal Awards Expended:				651,528	130,681	782,210	

The accompanying notes are an integral part of this statement.

Town of Creston
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Note 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as the Town of Creston financial statements. The Town of Creston uses the cash basis method of accounting according to Other Comprehensive Basis Of Accounting.

Note 2 - Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Town of Creston portion, are more than shown.

Note 3 - Federal Loans

The Town of Creston was approved by the USDA Rural Utilities Service to receive a loan totaling \$306,000 to build a water reservoir.

The amount listed for each loan includes the proceeds received during the year and the outstanding loan balance from prior years. Both the current and prior year loans are also reported on the Town of Creston's Schedule of Long-Term Liabilities.

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.

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

Contact information for the State Auditor's Office	
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