



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Vader

Lewis County

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

Published September 28, 2015

Report No. 1015161





Washington State Auditor's Office

September 28, 2015

Mayor and City Council
City of Vader
Vader, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

TABLE OF CONTENTS

Federal Summary	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	15
About The State Auditor’s Office.....	26

FEDERAL SUMMARY

**City of Vader
Lewis County
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Vader 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 City.

Federal Awards

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed 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 City 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**

**City of Vader
Lewis County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Vader
Vader, 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 Vader, Lewis County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 23, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive, flowing style.

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

September 23, 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**

**City of Vader
Lewis County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Vader
Vader, Washington

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

We have audited the compliance of the City of Vader, Lewis 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 City'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 City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 City's compliance

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 City's internal control over compliance.

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

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 23, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Vader Lewis County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Vader
Vader, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Vader, Lewis County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City'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 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 Vader has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Vader, 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 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 Vader, 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 23, 2015 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.



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

September 23, 2015

FINANCIAL SECTION

**City of Vader
Lewis County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

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

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

	Total for All Funds (Memo Only)	001 Current Expense	105 Real Estate Excise Tax Fund (REET)	407 Sewer Fund
Beginning Cash and Investments				
30810	Reserved	8,957	-	8,957
30880	Unreserved	197,314	83,093	-
388 & 588	Prior Period Adjustments, Net	293	293	-
Operating Revenues				
310	Taxes	162,965	159,290	3,675
320	Licenses and Permits	9,109	9,109	-
330	Intergovernmental Revenues	455,708	51,155	-
340	Charges for Goods and Services	148,241	2,977	-
350	Fines and Penalties	4,464	4,464	-
360	Miscellaneous Revenues	19,178	19,202	-
Total Operating Revenues:		799,666	246,197	3,675
Operating Expenditures				
510	General Government	100,081	100,081	-
520	Public Safety	81,572	81,572	-
530	Utilities	706,191	943	-
540	Transportation	21,391	21,391	-
550	Natural and Economic Environment	19,768	19,768	-
560	Social Services	-	-	-
570	Culture and Recreation	4,334	4,334	-
Total Operating Expenditures:		933,337	228,089	-
Net Operating Increase (Decrease):		(133,672)	18,108	3,675
Nonoperating Revenues				
370-380,	Other Financing Sources	4,158	2,439	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		4,158	2,439	-
Nonoperating Expenditures				
580, 596 &	Other Financing Uses	1,492	-	-
591-593	Debt Service	16,848	-	-
594-595	Capital Expenditures	4,773	4,621	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		23,113	4,621	-
Net Increase (Decrease) in Cash and Investments:		(152,627)	15,926	3,675
Ending Cash and Investments				
50810	Reserved	12,632	-	12,632
50880	Unreserved	41,305	99,311	-

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The City of Vader was incorporated on January 3rd, 1906 and operates under the laws of the state of Washington applicable to a Non-Charter Code City with a Mayor-Council form of government. The City of Vader is a general purpose local government and provides general administration, public safety, street improvement, and garbage service. In addition, the City owns and operates a sewer system.

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

Financial transactions are recognized on a cash basis of accounting as described below.

Component units are required to be disclosed, but are not included in the financial statements.

Government-wide statements, as defined in GAAP, are not presented.

All funds are presented, rather than a focus on major funds.

The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.

Supplementary information required by GAAP is not presented.

Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund No. 001

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

Special Revenue Fund No. 105

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

PROPRIETARY FUND TYPES:

Enterprise Funds No. 407 and 408

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

B. Basis of Accounting

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

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

C. Budgets

The City of Vader adopts annual appropriated budgets for all 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Funds:			
001 Current Fund	\$230,802.50	\$211,319.07	\$19,483.43
002 Street Fund	\$40,270.16	\$21,391.40	\$18,878.76
105 REET Fund	\$7,000.00	\$0.00	\$7,000.00
Total General Fund	\$278,072.66	\$232,710.47	\$45,362.19
Enterprise Funds:			
407 Sewer Fund	\$756,092.06*	\$753,739.63	\$2,352.43
408 Sew Cap Purch Fund	\$0.00	\$0.00	\$0.00
409 Sewer Cap Res Fund	\$0.00	\$0.00	\$0.00
Total Enterprise Funds:	\$756,092.06	\$753,739.63	\$2,352.43
Total City Funds:	\$1,034,164.72	\$986,450.10	\$47,714.62

*See Note 7.D

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

D. Cash and Investments

See note 2, *Deposits and Investments*.

It is the City of Vader'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 split between the Current Fund at 78% and the Street Fund at 22%.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$20.00. The capital assets of the City of Vader are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 14 days for employees with less than 10 years of service and 30 days for employees with 10 or more years of service and is payable upon separation or retirement. Sick leave may be accumulated 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 City of Vader's Other Financing Sources or Uses consist of a Capital lease of property to US Cellular for a cell tower. The annual lease amount for 2014 is \$7,260.02.

I. Risk Management

The City of Vader is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 31, 2014, 94 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

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 establish by ordinance of the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts. The City has reserved funds held in the Special Revenue Fund for Real Estate Excise Taxes (REET).

At the end of 2014 the REET fund ending balance is \$12,632.19.

Note 2 - Investments

The City of Vader’s investments are insured, registered or held by the City of Vader or its agent in the City of Vader’s name.

Investments are presented at the Local Government Investment Pool.

Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>City of Vader’s own investments</u>	Investments held by the City of Vader as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	<u>\$145,243.43</u>	\$ <u>0.00</u>	<u>\$145,243.43</u>
Total	<u>\$145,243.43</u>	\$ <u>0.00</u>	<u>\$145,243.43</u>

Note 3 - Property Tax

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

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

The City of Vader’s regular levy for the year 2014 was \$2.7184 per \$1,000 on an assessed valuation of \$27,135,109 for a total regular levy of \$73,764.53.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Vader and summarizes the City of Vader’s debt transactions for year ended December 31, 2014.

The total does not include payments for a Department of Ecology Half Refundable Loan for \$900,000. The \$450,000 that will need to be repaid is expected to begin repayment possibly as early as 2017. The City is also planning for a major update to its Wastewater Treatment Plant in the next 2-3 years but funding has not been secured at this point and is not included in the projected totals.

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

	GO Bonds	Revenue Bonds	Other Debt	Total Debt
2015	-	-	\$ 16,813.98	\$ 16,813.98
2016	-	-	\$ 16,810.92	\$ 16,810.92
2017	-	-	\$ 16,792.55	\$ 16,792.55
2018	-	-	\$ 16,774.19	\$ 16,774.19
2019	-	-	\$ 16,755.81	\$ 16,755.81
2020 - 2024	-	-	\$ 83,483.53	\$ 83,483.53
2025 - 2026	-	-	\$ 24,658.41	\$ 24,658.41
Total	-	-	\$ 192,089.39	\$ 192,089.39

Note 5 - Pension Plans

City of Vader’s full-time and one of two qualifying part-time employees participate in Deferred Compensation Program (DCP) 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 of Vader’s financial statements. Contributions to the system by an employee are optional and employer contributions are based upon gross wages and are 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 - Other Disclosures

- A. In 2014 the Vader city council renewed their contract with the Lewis County Sheriff’s Office for law enforcement services. All efforts to create a law enforcement cooperative with other local entities did not come to fruition. The idea remains a possibility in the future.
- B. Schedule 01 – In the prior years’ financial statements petty cash and cash register change wasn’t included in the ending cash balance. It was included in the 2014 beginning cash balance by creating a prior period adjustment.
- C. Schedule 16 – See separate Notes for Schedule 16.

- D. The amount listed includes a \$10,000 Budget Amendment to the 2014 Annual Budget that will be completed at the first City Council Meeting in June of 2015 to amend the approved expenditure total. Expenditures in Sewer Fund #407 exceeded the amended 2014 budget due to 2 projects that exceeded estimated expenditures for the year. A project to reduce Inflow & Infiltration in the Sewer Collection System exceeded annual estimates by \$13,522.90. The project to update Vader's Wastewater Facility Plan exceeded annual estimates by \$11,667.66. Both projects are funded by either CDBG funds (I&I Project) or by Dept. of Ecology ½ Grant/ ½ Loan (Facility Plan Update). Both projects are within the Project's Total Budget Amount but exceeded the amount that was estimated to be expended in 2014.

City of Vader
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		551	2,431	2,718	264
			551	2,431	2,718	264
Revenue						
263.82	PWTF for sewer collection system	7/1/2024	151,593	-	10,731	140,862
263.82	Dept. of Ecology	7/1/2024	40,414	-	3,674	36,740
	Total General Obligations:		192,007	-	14,405	177,602
	Total Liabilities:		192,558	2,431	17,123	177,866

City of Vader
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	
CDBG - State-Administered CDBG Cluster						
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-030	464,444	-	3.a
Clean Water State Revolving Fund Cluster						
Office Of Water, Environmental Protection Agency (via Dept of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1300027/L13S 0027	162,212	-	3.b
Total Federal Awards Expended:				626,656	-	626,656

The accompanying notes are an integral part of this statement.

CITY OF VADER, WASHINGTON
Schedule 16

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 City financial statements. The City uses the cash basis of accounting.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - FEDERAL LOANS AND GRANTS

(a) The City was approved by the Office of Community Planning & Development and HUD via the Department of Commerce to receive a Community Development Block Grant totaling \$716,787 to repair and replace side sewer lines in the City's sewer collection system. Some of the funding was for public side sewer lines and some was for private side sewer lines. During 2014 the City expended \$464,444 of these grant funds.

(b) The City was approved in 2013 by the EPA via the Washington Department of Ecology to receive a half loan and half grant totaling \$900,000 to update its Wastewater Facility Plan. During 2014 the City expended \$162,212 of these grant/loan funds.

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 City'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.

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.

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