



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

City of Raymond

Pacific County

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

Published September 15, 2014

Report No. 1012529





Washington State Auditor
Troy Kelley

September 15, 2014

Mayor and City Council
City of Raymond
Raymond, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Raymond'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,

TROY KELLEY
STATE AUDITOR

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Pacific County
January 1, 2013 through December 31, 2013**

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Federal Summary

City of Raymond Pacific County January 1, 2013 through December 31, 2013

The results of our audit of the City of Raymond 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>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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 qualified 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 Raymond
Pacific County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Raymond
Raymond, 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 Raymond, Pacific County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 8, 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 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.

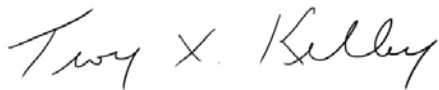
COMPLIANCE AND OTHER MATTERS

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.



TROY KELLEY
STATE AUDITOR

September 8, 2014

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 Raymond
Pacific County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Raymond
Raymond, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Raymond, Pacific 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, 2013. 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, 2013.

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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 8, 2014

Independent Auditor's Report on Financial Statements

City of Raymond Pacific County January 1, 2013 through December 31, 2013

Mayor and City Council
City of Raymond
Raymond, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Raymond, Pacific County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 14.

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 Raymond 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 Raymond, for the year ended December 31, 2013, 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 Raymond, as of December 31, 2013, 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 8, 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 8, 2014

Financial Section

**City of Raymond
Pacific County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

City of Raymond

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS CODE		Total for	001	101
		All Funds 1/	CURRENT	CITY STREET
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	\$382,647.64	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$1,994,578.37	\$198,525.71	\$1,123.50
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
Operating Revenues				
310	Taxes	\$1,426,367.33	\$1,383,761.80	\$0.00
320	Licenses and Permits	\$24,098.00	\$24,098.00	\$0.00
330	Intergovernmental Revenues	\$1,481,359.71	\$179,185.33	\$59,744.56
340	Charges for Goods and Services	\$2,960,635.52	\$39,389.46	\$0.00
350	Fines and Penalties	\$44,909.15	\$36,099.15	\$0.00
360	Miscellaneous Revenues	\$152,129.51	\$5,701.48	\$2,311.08
Total Operating Revenues:		\$6,089,499.22	\$1,668,235.22	\$62,055.64
Operating Expenditures:				
510	General Government	\$329,795.55	\$329,795.55	\$0.00
520	Public Safety	\$2,323,600.31	\$1,109,721.02	\$0.00
530	Utilities	\$2,284,189.21	\$3,305.34	\$0.00
540	Transportation	\$153,375.55	\$0.00	\$153,375.55
550	Economic Environment	\$4,906.51	\$4,906.51	\$0.00
560	Social Services	\$519.56	\$519.56	\$0.00
570	Culture And Recreation	\$311,818.72	\$233,381.20	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
Total Operating Expenditures:		\$5,408,205.41	\$1,681,629.18	\$153,375.55
Net Operating Increase (Decrease):		\$681,293.81	(\$13,393.96)	(\$91,319.91)
Nonoperating Revenues				
370,380,395,398	Other Financing Sources	\$7,246,699.69	\$95,823.84	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$92,096.41	\$0.00	\$90,196.41
Total Nonoperating Revenues:		\$7,338,796.10	\$95,823.84	\$90,196.41
Nonoperating Expenditures				
580,596,599	Other Financing Uses	\$575,494.82	\$79,088.54	\$0.00
591-593	Debt Service	\$443,358.41	\$262.00	\$0.00
594-595	Capital Expenditures	\$7,225,563.99	\$45,771.45	\$0.00
597	Transfers-Out	\$92,096.41	\$85,196.41	\$0.00
Total Nonoperating Expenditures:		\$8,336,513.63	\$210,318.40	\$0.00
Increase (Decrease in Cash and Investments		(\$316,423.72)	(\$127,888.52)	(\$1,123.50)
Ending Cash and Investments				
50810	End Fund Bal-Reserved	\$548,337.10	\$0.00	\$0.00
50880	End Fund Balance-Unreserved	\$1,512,465.19	\$70,637.19	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

104	111	116	201	320	401
PARKS FUND	CAPITAL	FIRE	GO FIRE	SPECIAL	WATER
(See #001)	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
\$0.00	\$33,151.93	\$10,970.67	\$77.28	\$108,802.83	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$670,127.75
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$8,892.69	\$0.00	\$33,207.38	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$55,536.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$852,145.29
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,938.00
\$0.00	\$13,453.92	\$2,590.00	\$0.00	\$340.00	\$6,869.88
\$0.00	\$22,346.61	\$2,590.00	\$33,207.38	\$55,876.00	\$861,953.17
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$301.75	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$869,101.68
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$301.75	\$0.00	\$869,101.68
\$0.00	\$22,346.61	\$2,590.00	\$32,905.63	\$55,876.00	(\$7,148.51)
\$0.00	\$0.00	\$0.00	\$0.00	\$42,469.00	\$1,912,380.86
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$42,469.00	\$1,912,380.86
\$0.00	\$0.00	\$0.00	\$0.00	\$37,000.00	\$0.00
\$0.00	\$0.00	\$0.00	\$32,982.50	\$0.00	\$0.00
\$0.00	\$24,022.88	\$784.78	\$0.00	\$0.00	\$1,869,619.45
\$0.00	\$0.00	\$0.00	\$0.00	\$6,900.00	\$0.00
\$0.00	\$24,022.88	\$784.78	\$32,982.50	\$43,900.00	\$1,869,619.45
\$0.00	(\$1,676.27)	\$1,805.22	(\$76.87)	\$54,445.00	\$35,612.90
\$0.00	\$31,475.66	\$12,775.89	\$0.41	\$163,247.83	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$705,740.65

402	403	404	405	410	415
SEWER	AMBULANCE	SANITATION	WASTEWATER	THEATER FUND	REGIONAL
(see #405)	Actual Amount	Actual Amount	Actual Amount	Actual Amount	(See #405)
\$0.00	\$0.00	\$0.00	\$221,400.92	\$8,244.01	\$0.00
\$0.00	\$15,106.86	\$288,615.39	\$811,303.30	\$9,775.86	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$505.46	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$736,206.04	\$0.00	\$450,687.78	\$0.00	\$0.00
\$0.00	\$565,676.57	\$392,442.92	\$1,091,478.28	\$19,503.00	\$0.00
\$0.00	\$0.00	\$2,936.00	\$2,936.00	\$0.00	\$0.00
\$0.00	\$13,827.93	\$3,321.23	\$13,145.96	\$90,568.03	\$0.00
\$0.00	\$1,315,710.54	\$398,700.15	\$1,558,248.02	\$110,576.49	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$1,213,577.54	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$439,751.10	\$972,031.09	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$78,437.52	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$1,213,577.54	\$439,751.10	\$972,031.09	\$78,437.52	\$0.00
\$0.00	\$102,133.00	(\$41,050.95)	\$586,216.93	\$32,138.97	\$0.00
\$0.00	\$0.00	\$0.00	\$5,196,025.99	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$1,900.00	\$0.00
\$0.00	\$0.00	\$0.00	\$5,196,025.99	\$1,900.00	\$0.00
\$0.00	\$15,469.00	\$0.00	\$443,937.28	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$410,113.91	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$5,234,800.48	\$50,564.95	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$15,469.00	\$0.00	\$6,088,851.67	\$50,564.95	\$0.00
\$0.00	\$86,664.00	(\$41,050.95)	(\$306,608.75)	(\$16,525.98)	\$0.00
\$0.00	\$0.00	\$0.00	\$340,837.31	\$0.00	\$0.00
\$0.00	\$101,770.86	\$247,564.44	\$385,258.16	\$1,493.89	\$0.00

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for	603	
		All Funds 1/	CUSTOMER DEPOSITS	
308	Beginning Cash and Investments	\$37,480.00	\$37,480.00	\$0.00
388 and 588	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
310-360	Revenues	\$0.00	\$0.00	\$0.00
380-390	Other Increases and Financing	\$12,250.00	\$12,250.00	\$0.00
510-570	Expenditures	\$0.00	\$0.00	\$0.00
580-590	Other Decreases and Financing	\$13,015.00	\$13,015.00	\$0.00
Increase (Decrease) in Cash and Investments		(\$765.00)	(\$765.00)	\$0.00
508	Ending Cash and Investments	\$36,715.00	\$36,715.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF RAYMOND
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The City of Raymond 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 Raymond was incorporated on August 5, 1907 and operates under the laws of the state of Washington applicable to a Mayor/Council form of government. The City is a general purpose government and provides general administrative services, public safety, fire prevention, ambulance services, street improvement, and parks and recreation. In addition, the City of Raymond owns and operates water, sewer, and garbage services. The City of Raymond uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City of Raymond 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 of Raymond.

GOVERNMENTAL FUND TYPES:

Current Expense Fund

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 of Raymond in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account for 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 budget appropriation 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 of Raymond adopts annual appropriated budgets for governmental and proprietary funds. These budgets are adopted 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 for 2013 were as follows:

FUND	Actual Expenditure	Final Appropriation	Variance
001 Current Expense	\$1,961,070	\$2,106,200	\$145,130
101 Street	\$153,376	\$165,000	\$11,624
104 Parks	\$179,200	\$179,200	\$0
111 Capital Improvement	\$55,499	\$60,500	\$5,001
116 Fire Equipment	\$13,561	\$18,000	\$4,439
201 GO Fire Truck	\$33,285	\$33,300	\$15
320 Special Street Const	\$207,148	\$237,800	\$30,652
401 Water Operating	\$3,444,462	\$3,574,700	\$130,238
405 Wastewater	\$2,593,351	\$2,634,466	\$41,115
403 Ambulance	\$1,330,817	\$1,331,500	\$683
404 Sanitation	\$687,316	\$815,000	\$127,684
410 Theater	\$130,496	\$138,800	\$8,304
415 Regional Sewer Construction	\$5,193,627	\$11,000,000	\$5,806,373
Total	\$15,983,208	\$22,294,466	

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

D. Cash

It is the City of Raymond'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 posted to the Current Expense Fund.

E. Deposits

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

F. Investments (See Note 3.)

G. Capital Assets

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

H. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated to a total of 1,000 hours (fire department employees up to 1,500 hours). Depending on union contracts, employees having accruals above the allowed maximum on or before December 31st of each calendar year may cash out back to the maximum. Upon retirement, employees are paid for one half of their accumulated sick leave up to 360 hours.

I. Long-Term Debt (See Note 6, *Debt Service Requirements*)

J. Other Financing Sources or Uses

The City of Raymond's "Other Financing Sources or Uses" consist of transfers in and out and debt service.

K. Risk Management

The City of Raymond 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, 2013, 91 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 reinsurance 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 pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million in coverage limits, an excess liability policy is purchased from CV Starr. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA has 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.

L. Reserved Fund Balances

Fund 111 Capital Improvement Fund beginning and ending balances are considered restricted because the main source of revenue is Real Estate Excise Tax. Expenditures of this tax are restricted by state law. Appropriations for this Fund are accomplished on a project-by-project basis by Council motion.

Fund 116 Fire Equipment Fund beginning and ending balances are considered restricted because the source of revenue consists of donations from individuals specified to be used by the Fire Chief at his discretion for Fire Department equipment.

Fund 201 GO Fire Truck Fund beginning and ending balances are considered restricted because taxes are collected by a voter-approved special property tax levy for the payment of bonds.

Fund 320 Special Street Construction Fund beginning and ending balances are considered restricted because the revenue received is to be used for street improvement purposes pursuant to an interlocal agreement between the City and Pacific County. Projects are approved on a case-by-case basis throughout the year by Council motion.

Fund 405 Wastewater Operating Fund has a restricted beginning and ending fund balance because various reserves are mandated in the USDA-RD bond ordinance for the Regional Sewer Construction Project.

Fund 410 Theater Fund has a restricted ending balance in 2012 consisting of donations from individuals received specifically for the purchase of a new digital projector system for the Raymond Theater. The project was completed in 2013 and all donations were used.

Fund 415 Regional Sewer Construction Fund has restricted balances due to timing issues of reimbursement requests and expenses of USDA-RD funds for the sewer project.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 – INVESTMENTS

The City of Raymond's investments are insured, registered in the City's name or held by the City. Investments by type at December 31, 2012 are as follows:

Certificates of Deposits	\$ 700,000
Money Market Savings	<u>\$ 673,358</u>
Total Investments	<u>\$1,373,358</u>

NOTE 4 – PROPERTY TAXES

The Pacific County Treasurer acts as an agent to collect property taxes 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 taxes are levied. The City of Raymond's regular levy for 2013 was \$3.155667 per \$1,000 on an assessed valuation of \$139,944,702 for a total regular levy of \$441,619.

NOTE 5. INTERFUND LOANS AND ADVANCES

In 2010, the City Council authorized an interfund loan of \$66,000 to the Current Expense Fund from the Special Street Fund in order to purchase two Police Vehicles, with a payback period of three years at market rate interest. This loan was paid in full in 2013.

In 2011, the Council authorized a \$20,000 interfund loan to purchase another Police Vehicle, utilizing the same terms. The balance of \$10,000 is to be paid in 2014.

In 2013, the Council authorized a \$37,000 interfund loan to purchase a Police Vehicle, again using the same terms. The first payment is due during 2014, with payoff in 2016.

In December 2011, Council authorized temporary interfund loans to the Ambulance Fund and the Theater Fund from the Special Street Fund in order to cover revenue shortfalls during the year. The loans were to be repaid within a three year period with payments made on or before December 31st of each year. The Ambulance Fund repaid its entire balance during 2013.

Borrowing Fund	Lending Fund	Balance 1/1/2013	New Loan	Repaid	Balance 12/31/2013
Current Exp	Spec Street	\$ 37,000	\$37,000	\$27,000	\$ 47,000
Ambulance	Spec Street	\$ 15,469	\$ -0-	\$15,469	\$ -0-
Theater	Spec Street	\$ 9,759	\$ -0-	\$ -0-	\$ 9,759
Totals		\$ 62,228	\$37,000	\$42,469	\$ 56,759

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the City of Raymond and summarizes the city's debt transactions for 2013. Debt service requirements, including interest, are as follows:

	GO Bonds	Revenue Debt	Other Debt	Total Debt
2014	\$ 31,920	\$ 852,984	\$ -	\$884,904
2015	\$ 35,820	\$ 851,919	\$ -	\$887,739
2016	\$ 34,470	\$ 842,671	\$ -	\$877,141
2017	\$ 33,090	\$ 833,425	\$ -	\$866,515
2018-2022	\$ 36,680	\$4,151,118	\$ -	\$4,187,798
2023-2027	\$ -	\$4,124,437	\$ -	\$4,124,437
2028-2032	\$ -	\$3,723,744	\$ -	\$3,723,744
2033-2037	\$ -	\$3,279,730	\$ -	\$3,279,730
2038-2042	\$ -	\$3,279,730	\$ -	\$3,279,730
2043-2047	\$ -	\$3,279,730	\$ -	\$3,279,730
2048-2052	\$ -	\$3,279,730	\$ -	\$3,279,730
Totals	\$171,980	\$28,499,218	\$ -	\$28,671,198

NOTE 7 – PENSION PLANS

All full-time employees and qualifying part-time employees of the City of Raymond participate in Public Employees (PERS) and Law Enforcement and Fire Fighters (LEOFF) Retirement Systems 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 employer and employee 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

OTHER DISCLOSURES

The Cities of Raymond and South Bend have been working together on the Willapa Regional Sewer Project. The City of Raymond has been designated the Lead Agency for the project by an Interlocal Agreement between the two cities. A "Funding Package" was finalized in 2010 and construction began. The total cost of the project will be approximately \$36,000,000 and project completion should occur during the year 2014. Grant/loan revenues and construction/debt costs for the project are reflected in the City of Raymond's Financial Statements. The City of South Bend reimburses the City of Raymond a percentage of the debt repayment and a percentage of operations/maintenance costs. The percentage is estimated to be 36%. Final calculations will be performed by the project engineers at project completion.

In order to separate regional sewer plant operation costs from general sewer administration and sewer collection costs, the finance office of the City of Raymond created another set of accounts under the fund number 405 and transferred transactions from fund 402.

In April of 2011, the City of Raymond was awarded a loan from the Drinking Water State Revolving Fund (DWSRF) for a Water Treatment Plant project in the amount of \$3,266,340. DWSRF is a sub-recipient of funds provided by EPA, CFDA #66.468. Upon completion of the project, 30% of the cost will be "forgiven". The term of the loan is not to exceed 24 years and the interest rate is 1%. Completion is estimated to occur in 2014. At that time an amortization schedule will be finalized. This debt is not reflected in these financial statements at this time.

The City of Raymond has three LEOFF I retired firefighters drawing benefits consisting of a City-paid long term care policy, health insurance premiums, and medical costs not reimbursed by health insurance and mandated by the local LEOFF Board. Total cost to the City for 2013 was \$57,089.

City of Raymond

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							
	251.12	GO Fire Truck Voted Bond	12/31/2014	175,000	0	25,000	150,000
	259.11	Compensated Absences Governmental Funds		90,439	1,364	0	91,803
Total General Obligations:				265,439	1,364	25,000	241,803
Revenue Obligations							
	263.82	DOE Loan #L990007B	12/31/2017	57,248	0	16,357	40,891
	263.82	PWTF Loan	12/31/2030	853,800	0	53,363	800,437
	263.82	DOE SRF Loan #L1000028	12/31/2030	1,858,190	0	91,073	1,767,117
	252.11	USDA-RD Sewer Rev Bond 2012A	12/31/2032	9,000,000	0	144,675	8,855,325
	252.11	USDA-RD Sewer Rev Bond 2012B	12/31/2032	8,614,000	0	138,470	8,475,530
	263.82	DWSRF Loan DM10-952-029	12/31/2032	320,718	1,909,981	0	2,230,699
	259.12	Compensated Absences Proprietary Funds		50,866	6,244	0	57,110
Total Revenue Obligations:				20,754,822	1,916,225	443,938	22,227,109
Total Liabilities:				21,020,261	1,917,589	468,938	22,468,912

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Rural Utilities Service, Department Of Agriculture/	Water and Waste Disposal Systems for Rural Communities	10.760	Case Number 56-025-916001270		5,192,826	5,192,826	3
Violence Against Women Office, Department Of Justice/Thurston County	Violence Against Women Formula Grants	16.588	F04-30304-026	8,302		8,302	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA State Traffic Safety Commission	State and Community Highway Safety	20.600	NA	3,700		3,700	
Office Of Water, Environmental Protection Agency/WA State Dept of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM10-952-029	1,909,981		1,909,981	3
Department Of Homeland Security/Thurston County	Homeland Security Grant Program	97.067	NA	2,208		2,208	
Total Federal Awards Expended:				1,924,191	5,192,826	7,117,017	

CITY OF RAYMOND
NOTES TO THE FEDERAL SCHEDULE OF FINANCIAL ASSISTANCE
(Schedule 16)
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City of Raymond's 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 portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3 – FEDERAL LOANS/GRANTS

The City of Raymond was approved by USDA-RD to receive a Rural Utilities Service (RUS) loan totaling \$17,600,000 to build Regional Sewer Facilities in partnership with the City of South Bend and a grant in the amount of \$10,983,000. An interim construction loan was established with The Bank of the Pacific. Loan finalization with USDA-RD and bond issuance occurred in December 2012. At that time, the project started utilizing grant funding.

The City of Raymond was awarded a loan from the Drinking Water State Revolving Fund (DWSRF) for a Water Treatment Plant project in the amount of \$3,266,340. DWSRF is a sub-recipient of funds provided by EPA, CFDA # 66.468. This project was not completed during 2013. Because of this, the loan has not been finalized.

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	
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