



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Goldendale

Klickitat County

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

Published November 24, 2014

Report No. 1013026





Washington State Auditor
Troy Kelley

November 24, 2014

Mayor and City Council
City of Goldendale
Goldendale, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

TABLE OF CONTENTS

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	4
Independent Auditor's Report On Financial Statements	6
Financial Section.....	9
About The State Auditor's Office.....	31

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 Goldendale
Klickitat County
January 1, 2012 through December 31, 2013**

Mayor and City Council
City of Goldendale
Goldendale, 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 Goldendale, Klickitat County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 9, 2014.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

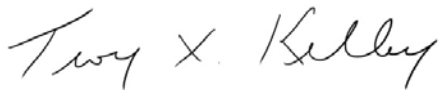
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

October 9, 2014

Independent Auditor's Report on Financial Statements

City of Goldendale Klickitat County January 1, 2012 through December 31, 2013

Mayor and City Council
City of Goldendale
Goldendale, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Goldendale 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 Goldendale, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Goldendale, as of December 31, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

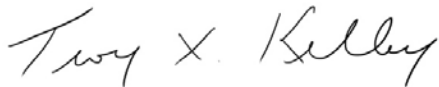
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

October 9, 2014

Financial Section

**City of Goldendale
Klickitat County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013 and 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Liabilities – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense Fund	101 Street Fund	108 Criminal Justice Prog.
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	512,224	139,275	0	32,807
30880	Beg Fund Bal-Unreserved	2,325,747	643,177	105,026	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	2,226,870	2,181,795	0	0
320	Licenses & Permits	60,162	57,280	2,882	0
330	Intergovernmental Revenues	802,709	85,938	712,553	4,218
340	Charges for Goods and Services	2,047,379	23,802	0	0
350	Fines & Penalties	36,409	30,016	0	0
360	Miscellaneous Revenues	41,832	11,057	0	10
Total Operating Revenues:		5,215,361	2,389,887	715,435	4,228
Operating Expenditures					
510	General Government	697,226	697,226	0	0
520	Public Safety	1,273,142	1,272,374	0	0
530	Utilities	1,060,427	311	0	0
540	Transportation	484,039	8,603	297,110	0
550	Natural and Economic Environment	78,972	34,765	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	119,940	119,940	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		3,713,746	2,133,219	297,110	
Net Operating Increase (Decrease):		1,501,615	256,668	418,325	4,228
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	114,715	3,415	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	639,161	0	425,089	0
Total Nonoperating Revenues:		753,876	3,415	425,089	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	111,300	111,300	0	0
591-593	Debt Service	745,334	29,671	181,306	0
594-595	Capital Expenditures	1,152,139	90,328	733,794	0
597	Transfers-Out	639,161	358,000	0	0
Total Nonoperating Expenditures:		2,647,934	589,300	915,100	
Increase (Decrease) in Cash and Investments		-392,443	-329,215	-71,686	4,228
Ending Cash and Investments					
50810	End Fund Bal-Reserved	485,817	97,525	0	37,035
50880	End Fund Balance-Unreserved	1,959,712	356,165	32,885	0

The accompanying notes are an integral part of this Statement.

BARS Code		109 Drug Enf./Investig.	110 Tourism Fund	401 Water/Sewer Fund	510 Public Works Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	33,042	57,100	250,000	0
30880	Beg Fund Bal-Unreserved	0	0	1,532,459	45,085
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	45,075	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	4,575	1,821,503	197,500
350	Fines & Penalties	6,392	0	0	0
360	Miscellaneous Revenues	12	35	23,718	7,000
Total Operating Revenues:		6,404	49,686	1,845,221	204,500
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	768	0	0	0
530	Utilities	0	0	1,060,116	0
540	Transportation	0	0	0	178,326
550	Natural and Economic Environment	0	44,207	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		768	44,207	1,060,116	178,326
Net Operating Increase (Decrease):		5,636	5,479	785,105	26,174
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	111,300	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	214,072	0
Total Nonoperating Revenues:				325,372	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	534,356	0
594-595	Capital Expenditures	0	0	327,919	97
597	Transfers-Out	0	0	210,000	71,161
Total Nonoperating Expenditures:				1,072,275	71,258
Increase (Decrease) in Cash and Investments		5,636	5,479	38,202	-45,084
Ending Cash and Investments					
50810	End Fund Bal-Reserved	38,679	62,578	250,000	0
50880	End Fund Balance-Unreserved	0	0	1,570,662	0

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 Current Expense Fund	101 Street Fund	108 Criminal Justice Prog.
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	432,029	88,020	0	29,287
30880	Beg Fund Bal-Unreserved	2,601,335	749,402	278,737	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	2,233,182	2,183,591	0	0
320	Licenses & Permits	61,274	54,425	6,844	0
330	Intergovernmental Revenues	622,132	95,619	475,203	3,902
340	Charges for Goods and Services	2,086,059	21,434	561	0
350	Fines & Penalties	40,740	33,264	0	0
360	Miscellaneous Revenues	31,311	18,617	0	105
Total Operating Revenues:		5,074,698	2,406,950	482,608	4,007
Operating Expenditures					
510	General Government	678,878	678,878	0	0
520	Public Safety	1,210,905	1,210,418	0	487
530	Utilities And Environment	1,292,316	73,773	0	0
540	Transportation	293,429	7,780	285,649	0
550	Economic Environment	89,537	53,600	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	117,576	117,576	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		3,682,641	2,142,025	285,649	487
Net Operating Increase (Decrease):		1,392,057	264,925	196,959	3,520
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	452,595	367,724	800	0
391-393	Debt Proceeds	30,680	0	0	0
397	Transfers-In	335,000	0	335,000	0
Total Nonoperating Revenues:		818,275	367,724	335,800	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	315,000	0	0	0
591-593	Debt Service	740,929	29,671	182,625	0
594-595	Capital Expenditures	1,014,795	322,948	523,845	0
597	Transfers-Out	335,000	335,000	0	0
Total Nonoperating Expenditures:		2,405,724	687,619	706,469	
Increase (Decrease) in Cash and Investments		-195,392	-54,970	-173,712	3,520
Ending Cash and Investments					
50810	End Fund Bal-Reserved	512,224	139,275	0	32,807
50880	End Fund Balance-Unreserved	2,325,747	643,177	105,026	0

The accompanying notes are an integral part of this Statement.

BARS Code		109 Drug Enf./Investig.	110 Tourism Fund	401 Water/Sewer Fund	510 Public Works Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	21,491	43,230	250,000	0
30880	Beg Fund Bal-Unreserved	0	0	1,550,962	22,234
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	49,591	0	0
320	Licenses & Permits	0	0	5	0
330	Intergovernmental Revenues	0	0	0	47,408
340	Charges for Goods and Services	0	0	1,864,064	200,000
350	Fines & Penalties	7,476	0	0	0
360	Miscellaneous Revenues	4,075	215	8,299	0
Total Operating Revenues:		11,551	49,806	1,872,368	247,408
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	1,049,574	168,970
540	Transportation	0	0	0	0
550	Economic Environment	0	35,937	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			35,937	1,049,574	168,970
Net Operating Increase (Decrease):		11,551	13,869	822,794	78,438
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	82,064	2,007
391-393	Debt Proceeds	0	0	30,680	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:				112,744	2,007
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	315,000	0
591-593	Debt Service	0	0	528,633	0
594-595	Capital Expenditures	0	0	110,408	57,595
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:				954,041	57,595
Increase (Decrease) in Cash and Investments		11,551	13,869	-18,503	22,850
Ending Cash and Investments					
50810	End Fund Bal-Reserved	33,042	57,100	250,000	0
50880	End Fund Balance-Unreserved	0	0	1,532,459	45,085

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	650 Agency Suspense Fund
308	Beginning Cash and Investments	4,248	4,248
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
380-390	Other Increases and Financing Sources	24,589	24,589
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	28,249	28,249
Increase (Decrease) in Cash and Investments		-3,660	-3,660
508	Ending Cash and Investments	588	588

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	650 Agency Suspense Fund
308	Beginning Cash and Investments	5	5
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
370-390	Other Increases and Financing Sources	28,281	28,281
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	24,038	24,038
Increase (Decrease) in Cash and Investments		4,243	4,243
508	Ending Cash and Investments	4,248	4,248

The accompanying notes are an integral part of this Statement.

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Goldendale 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 Goldendale was incorporated on November 15, 1879 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of government. The City of Goldendale is a general purpose government and provides public safety, fire prevention, street maintenance, storm drainage, parks and recreation, economic development, tourism, water and sewer, health and social services and general administrative services. The City of Goldendale 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 Goldendale 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 of Goldendale'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 Goldendale:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Goldendale. 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 of Goldendale.

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

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.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Goldendale in a trustee capacity or as an agent on behalf of others.

Agency Funds

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

b. Basis of Accounting

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

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

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

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

The appropriated and actual expenditures for the legally adopted budgets for 2012 were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	\$ 3,107,850.00	\$ 3,047,044.39	\$ 60,805.61
City Street	\$ 996,000.00	\$ 992,118.11	\$ 3,881.89
CJ Programs	\$ 3,500.00	\$ 486.73	\$ 3,013.27
Drug Enf./Invest. Fund	\$ 13,000.00	\$ 0.00	\$ 13,000.00
Tourism Fund	\$ 38,000.00	\$ 35,936.66	\$ 2,063.34
Water/Sewer Fund	\$ 2,005,050.00	\$ 2,003,614.21	\$ 1,435.79
Public Works Admin.	\$ 250,000.00	\$ 226,565.18	\$ 23,434.82
Agency Suspense	\$ 50,000.00	\$ 24,038.24	\$ 25,961.76
TOTAL	\$ 6,463,400.00	\$ 6,329,803.52	\$ 133,596.48

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

The appropriated and actual expenditures for the legally adopted budgets for 2013 were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	\$ 3,123,400.00	\$ 3,097,619.00	\$ 25,781.00
City Street	\$ 1,236,000.00	\$ 1,212,210.00	\$ 23,790.00
CJ Programs	\$ 3,500.00	\$ 0.00	\$ 3,500.00
Drug Enf./Invest. Fund	\$ 13,000.00	\$ 768.00	\$ 12,232.00
Tourism Fund	\$ 46,000.00	\$ 44,207.00	\$ 1,793.00
Water/Sewer Fund	\$ 3,263,550.00	\$ 2,132,391.00	\$1,131,159.00
Public Works Admin.	\$ 250,000.00	\$ 249,585.00	\$ 415.00
Agency Suspense	\$ 30,000.00	\$ 28,249.00	\$ 1,751.00
TOTAL	\$ 7,965,450.00	\$ 6,765,029.00	\$1,200,421.00

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's legislative body.

d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City of Goldendale deposits are covered by (the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission).

f. Investments. See (Investment Note No. 1).

g. Derivatives and Similar Transactions

None

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

h. Capital Assets

Capital assets are long-lived assets of the City of Goldendale and are recorded as expenditures when purchased.

i. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement.

Sick leave may be accumulated up to 960 hours). Upon separation or retirement employees do receive a 25% payment for unused sick leave.

j. Long-Term Debt See (Long-Term Debt Note No. 4).

k. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of Interfund Transfers to accomplish the following actions including: financing of the ongoing operations of the City Streets and Parks Funds, to transfers monies received by the optional .5% sales for the operations of the City Street Fund.

l. Risk Management

The City of Goldendale is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

m. Reserved Fund Balance for year ended December 31, 2012:

Fund	Ending Cash Amount	Description
Current Expense Fund	\$ 124,519.28	Use of 40% of the Optional .5% Sales tax is restricted for capital purchases for Public Safety functions (Ordinance No. 1370)
Capital Improvement	\$ 14,755.34	The fund is used to receive monies collected by the State for Real Estate Excise Taxes. Spending this money is restricted by RCW 82.46
Criminal Justice Special Programs	\$ 32,807.19	Spending money collected here is restricted by RCW 82.14.330(2)(b)
Drug Enforcement and Investigation Fund	\$ 33,042.38	The fund was created to accumulate funds to offset the cost of drug enforcement and investigation. The fund is also used to collect forfeited properties.
Tourism Fund	\$ 57,099.69	Use of the funds received from lodging tax revenues is restricted by RCW 67.28.1815
Water/Sewer Fund	\$ 150,000.00	Reserve Requirement for Rural Development Revenue Bond (Ordinance No. 1397)
Water/Sewer Fund	\$ 100,000.00	Short-lived Asset reserve requirement for Rural Development Revenue Bond (Ordinance No. 1397)
Agency Suspense	\$ 4,247.60	Monies held for the State

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

Reserved Fund Balance for year ended December 31, 2013

Fund	Ending Cash Amount	Description
Current Expense Fund	\$ 92,811.00	Use of 40% of the Optional .5% Sales tax is restricted for capital purchases for Public Safety functions (Ordinance No. 1370)
Capital Improvement	\$ 4,714.00	The fund is used to receive monies collected by the State for Real Estate Excise Taxes. Spending this money is restricted by RCW 82.46
Criminal Justice Special Programs	\$ 37,035.00	Spending money collected here is restricted by RCW 82.14.330(2)(b)
Drug Enforcement and Investigation Fund	\$ 38,679.00	The fund was created to accumulate funds to offset the cost of drug enforcement and investigation. The fund is also used to collect forfeited properties.
Tourism Fund	\$ 62,578.00	Use of the funds received from lodging tax revenues is restricted by RCW 67.28.1815
Water/Sewer Fund	\$ 150,000.00	Reserve Requirement for Rural Development Revenue Bond (Ordinance No. 1397)
Water/Sewer Fund	\$ 100,000.00	Short-lived Asset reserve requirement for Rural Development Revenue Bond (Ordinance No. 1397)
Agency Suspense	\$ 588.00	Monies held for the State

NOTE 1 - INVESTMENTS

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

Investments are presented at 1103 South Columbus, Goldendale, WA 98620 at cost.

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

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

<u>Type of Investment</u>	① City's own investments	② Investments held by City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$1,181,815.63	\$_____	\$1,181,815.63
U.S. Govt. Securities	_____	_____	_____
Other: _____	_____	_____	_____
Total	<u>\$1,181,815.63</u>	<u>\$_____</u>	<u>\$1,181,815.63</u>

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

<u>Type of Investment</u>	① City's own investments	② Investments held by City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$1,179,967.49	\$_____	\$1,179,967.49
U.S. Govt. Securities	_____	_____	_____
Other: _____	_____	_____	_____
Total	<u>\$1,179.967.49</u>	<u>\$_____</u>	<u>\$1,179.967.49</u>

NOTE 2 - PROPERTY TAX

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

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

The City's regular levy for the year 2012 was \$3.1000000 per \$1,000 on an assessed valuation of \$284,945,680 for a total regular levy of \$883,331.61.

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

The City's regular levy for the year 2013 was \$3.1000000 per \$1,000 on an assessed valuation of \$290,402,593 for a total regular levy of \$892,899.01.

NOTE 3 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2012 and 2013:

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2012</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2013</u>
Public Safety Res.	Housing Rehab				
		\$ 80,000	\$	\$ 80,000	\$ -0-
Current Expense	Water/Sewer	\$	\$ 315,000	\$ 105,000	\$ 210,000
	TOTALS	<u>\$ 80,000</u>	<u>\$ 315,000</u>	<u>\$ 185,000</u>	<u>\$ 210,000</u>

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the City of Goldendale and summarizes the City's debt transactions for 2013. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Revenue</u> <u>Bonds</u>	<u>Other</u> <u>Debt</u>	<u>Total</u> <u>Debt</u>
2013	\$ 210,978.09	\$ 534,356.12		\$ 745,334.21
2014	\$ 209,661.70	\$ 520,034.58		\$ 729,696.28
2015	\$ 208,345.28	\$ 505,713.02		\$ 714,058.30
2016	\$ 207,018.88	\$ 503,365.51		\$ 710,384.39
2017	\$ 172,593.00	\$ 406,739.74		\$ 579,335.74
2018	\$ 172,146.28	\$ 404,392.23		\$ 576,538.51
2019-2023	\$ 853,985.55	\$1,544,331.48		\$2,398,317.03
2024-2028	\$ 229,768.83	\$ 750,617.58		\$ 980,386.41
2029-2033		\$ 674,415.00		\$ 674,415.00
2034-2038		\$ 674,415.00		\$ 674,415.00
2039-2043		\$ 674,415.00		\$ 674,415.00
2044-2048		\$ 674,415.00		\$ 674,415.00
2049-2050		\$ 269,766.00		\$ 269,766.00
TOTALS	<u>\$2,264,500.61</u>	<u>\$8,136,976.26</u>	<u>\$</u>	<u>\$10,401,476.87</u>

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

NOTE 5 - PENSION PLANS

Substantially all the City's full-time and qualifying part-time employees participate in PERS I, PERS II, LEOFF I and LEOFF II 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 10 financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

NOTE 6 - OTHER DISCLOSURES

Litigation

The City of Goldendale received a Standard Tort Claim on or about February 4, 2011. Subsequently, Kenneth J. Goodpaster and Margorie M. Goodpaster filed a lawsuit against the City on September 15, 2011. Plaintiffs Eldon H. Anderson, Kenneth L. Anderson, Myrtle A. McDermid, and Carol L. Gillman alleged asserted claims against the City in a pleading filed March 26, 2012. Both claims allege that the claimants' property has been damaged as a result of activities by the City occurring on or about October 4, 2010, during which the City allegedly entered the claimants' property and excavated accumulated silt and sediment adjacent to a City stormwater outfall pipe. Both claimants allege damages in the sum of \$150,000, or more, for a total claim of \$300,000 or more.

The City has filed a counterclaim seeking to quiet title to certain real property owned by some or all of the plaintiffs.

City's counsel is currently seeking to finalize settlement negotiations with the plaintiffs. In the event a settlement cannot be obtained, the claims will be vigorously contested. We are unable to evaluate the likelihood of an unfavorable outcome or the range of possible loss.

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims.

The City has been working on funding for several large infrastructure projects for street improvement, water and sewer systems:

1. In 2012, through the Washington Department of Health State Revolving Fund, the City was awarded a loan in the amount of \$1,349,663 for the replacement of our lower water reservoir. Due to an extended environmental review, this project was not bid out until May of 2014.
2. Also in 2012, through the Public Works Board and the Washington Department of Ecology, the City was awarded two loans in the amounts of \$256,000 and \$2,353,000, respectively. In accordance with section S11 of the City's NPDES Permit from the Department of Ecology, the replacement of the collection system within the City's flood plain will meet the requirement of this permit. This project is the number one priority to control infiltration and inflow into the City's sewer collection system and will be known as the Little Klickitat River Sewer Collection System Improvement Project. Initial preliminary planning and environmental began in 2012 and continued through 2013. Due to a recommended realignment of the replacement sewer main line, several easements were required. The realignment should result in better access to the manholes and lower construction costs. Work on obtaining the required easements and an extended environmental review will continue through 2013 and 2014. Construction is not planned until 2015.
3. The City is waiting on approvals from several outside funders for a grant/loan package to construct a comprehensive neighborhood improvement project on the west side of the City. The most recent funding scenario is a funding package that will include a CDBG grant, a General Obligation Bond, a grant/loan package from Rural Development and City matching money. Total project costs are estimated to be about \$2.5 million dollars.
4. In 2013, the City was awarded a 90% grant from the Transportation Improvement Board in the amount of approximately \$660,000 to reconstruction the 3rd and King Street interchange. Preparation of plans and specifications are underway. Bidding and construction of this project is planned for 2015.
5. A loan package for an energy savings project was awarded to the City for the Baker Street property that included a 4-building complex of industrial buildings. The City was able to enter into a purchase and sale agreement for two of the four buildings. Currently, the City is bidding out the energy savings work for one of

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 through December 31, 2013

MCAG NO. 0479

the two buildings that are part of the purchase and sale agreement. The closing is scheduled to occur in July or August of 2014.

6. A grant package in the amount of \$500,000 for an energy savings project was awarded to the City in 2014 for the property donated to the City in December of 2012. The building is now referred to as the Simcoe Building. The City is currently working on ways to best utilize this asset.

In addition and in 2012, the City acquired two real estate properties.

1. The first property acquired is known as the Baker Street properties and was the former site of Kushlan Products, Inc. It is located adjacent to the City's Public Works Shop Yard.
2. The second property was donated to the City to be used for community purposes. It was formerly a nursing home and is referred to as the Simcoe building.

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF I. These benefits include medical, prescription, dental, vision and long-term care. In 2012, four (4) retirees received benefits totaling \$53,090. In 2013, four (4) retirees received benefits totaling \$49,475.41. One (1) of the retiree's passed away late in 2013.

City of Goldendale
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							
	263.81	CERB Ind Park Infrastructure	1/27/2023	274,539	0	21,435	253,104
	251.11	North Columbus Road Imp	12/1/2016	133,326	0	33,334	99,992
	263.81	PWTF-East Collins Pre-Const	6/30/2024	37,985	0	3,166	34,819
	263.81	PWTF-East Collins Const	6/30/2025	564,063	0	43,389	520,674
	251.11	East Cent Neighborhood Imp	12/1/2025	867,914	0	52,584	815,330
	259.11	Compensated Absences-2013		140,482	0	2,988	137,494
Total General Obligations:				2,018,309	0	156,896	1,861,413
Revenue Obligations							
	263.82	PWTF Water Transmission	6/30/2019	449,377	0	64,196	385,181
	263.82	PWTF Chl Well Drought Rlf	6/30/2022	194,737	0	19,474	175,263
	263.82	PWTF Chl Well Const	10/1/2024	570,541	0	47,545	522,996
	263.82	PWTF Chl Well Const II	10/1/2026	131,311	0	9,379	121,932
	263.82	FMHA 2010 Bond	10/26/2050	3,033,397	0	43,881	2,989,516
	263.82	LOCAL-AMR System	12/1/2016	347,072	0	82,960	264,112
	263.82	DOE-Collection sys Improv	4/11/2014	34,701	0	22,933	11,768
	263.82	DOE-WWTP Design	5/29/2021	256,273	0	25,868	230,405
	263.82	DOE-WWTP Construction	12/31/2022	781,988	0	73,046	708,942
	259.12	Compensated Absences-2013		62,588	0	11,977	50,611
Total Revenue Obligations:				5,861,985	0	401,259	5,460,726
Total Liabilities:				7,880,294	0	558,155	7,322,139

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

City of Goldendale

Schedule 09

Schedule of Liabilities
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	263.81	CERB Ind. Park Infrastructure-1001	1/27/2023	295,350	0	20,811	274,539
	251.11	North Columbus Road Imp-2002	12/1/2016	166,660	0	33,334	133,326
	263.81	PWTF-East Collins Pre-Const-2004	6/30/2024	41,150	0	3,165	37,985
	263.81	PWTF-East Collins Const-2005	6/30/2025	607,453	0	43,390	564,063
	251.11	East Cent Neighborhood Imp-2010	12/1/2025	918,137	0	50,223	867,914
	259.11	Compensated Absences-2001		115,983	24,499	0	140,482
	259.11	Compensated Absences-2011		64,271	0	1,683	62,588
Total General Obligations:				2,209,004	24,499	152,606	2,080,897
Revenue Obligations							
	263.82	PWTF Water Transmission-1999	6/30/2019	513,574	0	64,197	449,377
	263.82	PWTF Chi Well Drought Rif-2003	6/30/2022	214,210	0	19,473	194,737
	263.82	PWTF Chi Well Const-2004	10/1/2024	618,087	0	47,546	570,541
	263.82	PWTF Chi Well Const II-2008	10/1/2026	140,690	0	9,379	131,311
	263.82	FMHA 2010 Bond	10/26/2050	3,076,000	0	42,603	3,033,397
	263.82	LOCAL-AMR System	12/1/2016	419,320	7,502	79,750	347,072
	263.82	DOE-Colletion Sys Improv-1998	4/11/2014	56,851	0	22,150	34,701
	263.82	DOE-WWTP Design-1999	5/29/2021	281,137	0	24,864	256,273
	263.82	DOE-WWTP Construction-2000	12/31/2022	853,950	0	71,962	781,988
Total Revenue Obligations:				6,173,819	7,502	381,924	5,799,397
Total Liabilities:				8,382,823	32,001	534,530	7,880,294

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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