



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements and Federal Single Audit Report

# City of Chehalis

Lewis County

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

Published August 27, 2015

Report No. 1014890





## Washington State Auditor's Office

August 27, 2015

Mayor and City Council  
City of Chehalis  
Chehalis, Washington

### Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

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## FEDERAL SUMMARY

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

The results of our audit of the City of Chehalis 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 each of its major federal programs.

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 were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
15.916	Outdoor Recreation Acquisition Development and Planning

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

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

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

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

Mayor and City Council  
City of Chehalis  
Chehalis, 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 Chehalis, Lewis County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 20, 2015.

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

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

August 20, 2015



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

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

Mayor and City Council  
City of Chehalis  
Chehalis, Washington

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

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



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

August 20, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Chehalis Lewis County January 1, 2014 through December 31, 2014

Mayor and City Council  
City of Chehalis  
Chehalis, Washington

### REPORT ON THE FINANCIAL STATEMENTS

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

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Chehalis has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Chehalis, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

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

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Chehalis, as of December 31, 2014, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

August 20, 2015

## **FINANCIAL SECTION**

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

### **FINANCIAL STATEMENTS**

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

### **SUPPLEMENTARY AND OTHER INFORMATION**

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 GENERAL FUND</b>	<b>102 Arterial Street</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	2,587,162	92,167	-
30880	Unreserved	4,826,729	784,323	29,909
388 & 588	Prior Period Adjustments, Net	1,730,091	-	-
<b>Operating Revenues</b>				
310	Taxes	6,999,713	6,733,891	-
320	Licenses and Permits	107,766	104,766	-
330	Intergovernmental Revenues	973,946	817,362	151,715
340	Charges for Goods and Services	8,810,906	315,820	-
350	Fines and Penalties	135,364	135,364	-
360	Miscellaneous Revenues	2,672,725	1,739,695	22
Total Operating Revenues:		19,700,420	9,846,898	151,737
<b>Operating Expenditures</b>				
510	General Government	1,849,214	1,849,214	-
520	Public Safety	4,318,740	4,318,740	-
530	Utilities	4,736,358	-	-
540	Transportation	1,882,072	409,531	160,390
550	Natural and Economic Environment	422,320	260,218	-
560	Social Services	1,583	1,583	-
570	Culture and Recreation	388,672	388,672	-
Total Operating Expenditures:		13,598,960	7,227,959	160,390
<b>Net Operating Increase (Decrease):</b>		<b>6,101,460</b>	<b>2,618,940</b>	<b>-8,653</b>
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	482,392	144,665	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	103,048	-	-
Total Nonoperating Revenues:		585,440	144,665	-
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	83,451	74,119	-
591-593	Debt Service	2,428,010	-	-
594-595	Capital Expenditures	2,750,942	2,549,492	-
597	Transfers-Out	103,048	25,803	-
Total Nonoperating Expenditures:		5,365,451	2,649,414	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>1,321,449</b>	<b>114,192</b>	<b>-8,653</b>
<b>Ending Cash and Investments</b>				
50810	Reserved	3,799,577	93,771	21,256
50880	Unreserved	6,665,853	896,910	-

*The accompanying notes are an integral part of this statement.*



<b>107 Tourism</b>	<b>195 1982-93 COMM DEVELOP BLK GRANT</b>	<b>197 HUD BLOCK GRANT</b>	<b>200 2011 G.O. BOND FUND</b>	<b>305 FIRST QUARTER PERCENT REET</b>	<b>306 SECOND QUARTER PERCENT REET</b>
62,952	90,857	327,631	-	131,159	57,591
-	-	-	-	-	-
-	-	-	-	-	-
194,197	-	-	-	35,812	35,812
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
68	76	276	-	107	49
194,265	76	276	-	35,919	35,861
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	90,922	188,000	-	-	-
162,102	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
162,102	90,922	188,000	-	-	-
32,163	-90,846	-187,724	-	35,919	35,861
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	103,048	-	-
-	-	-	103,048	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	43,772	33,473
-	-	-	103,048	43,772	33,473
32,163	-90,846	-187,724	-	-7,853	2,388
95,115	11	139,907	-	123,306	59,979
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

<b>402 GARBAGE</b>	<b>404 WASTEWATER</b>	<b>405 WATER</b>	<b>406 STORM &amp; SURFACE WATER</b>	<b>407 AIRPORT</b>
-	1,105,485	719,320	-	-
257	412,312	3,145,830	454,098	-
-	-	-	-	1,730,091
-	-	-	-	-
-	-	-	-	3,000
-	-	4,869	-	-
6,520	4,712,982	2,765,177	463,983	546,424
-	-	-	-	-
2	10,238	8,104	3,861	910,227
6,522	4,723,221	2,778,150	467,844	1,459,651
-	-	-	-	-
-	-	-	-	-
4,992	2,512,629	1,814,645	404,093	-
-	-	-	-	1,033,229
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,992	2,512,629	1,814,645	404,093	1,033,229
<b>1,530</b>	<b>2,210,592</b>	<b>963,505</b>	<b>63,751</b>	<b>426,422</b>
236	183,134	249,814	4,820	160,372
-	-	-	-	-
-	-	-	-	-
236	183,134	249,814	4,820	160,372
236	83,798	25,303	263	160,381
-	1,857,455	151,302	-	316,206
-	59,673	106,544	17,417	17,816
-	-	-	-	-
236	2,000,926	283,149	17,680	494,403
<b>1,530</b>	<b>392,800</b>	<b>930,170</b>	<b>50,891</b>	<b>92,390</b>
-	1,105,750	594,705	-	1,565,777
1,788	804,847	4,200,615	504,989	256,704

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>611 FIREMEN'S PENSION</b>	<b>633 CITY AGENCY</b>
308	Beginning Cash and Investments	294,786	291,761	3,025
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	144,446	144,446	-
380-390	Other Increases and Financing Sources	4,282	-	4,282
510-570	Expenditures	53,081	53,081	-
580-590	Other Decreases and Financing Uses	-	-	-
Net Increase (Decrease) in Cash and Investments:		95,646	91,365	4,282
508	Ending Cash and Investments	390,432	383,125	7,307

*The accompanying notes are an integral part of this statement.*

# **CITY OF CHEHALIS**

## **NOTES TO FINANCIAL STATEMENTS**

### **JANUARY 1, 2014 THROUGH DECEMBER 31, 2014**

#### **NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

The City of Chehalis was incorporated on November 23, 1883 and operates under the laws of the State of Washington applicable to a non-charter code city with a Mayor-Council form of government. The City is a general purpose government and provides public safety, fire prevention, parks and recreation activities, water supply/treatment/distribution, sewage collection and treatment, storm water collection, street repairs, housing rehabilitation, planning and zoning, judicial administration, and general administrative services. Effective January 1, 2014 airport services were added to the functions of the City.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

#### **A. Fund Accounting**

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

## GOVERNMENTAL FUND TYPES

### General Fund

This fund is the primary operating fund of the City of Chehalis. 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 revenue sources that are restricted or committed to expenditures for specified purposes of the government.

### Debt Service Funds

These funds account for the financial resources which are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

### Capital Project Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

## 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 on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

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

### Pension (and Other Employee Benefit) Trust Funds

These funds report all trust arrangements under which principal and income benefit retirees and their survivors.

### Agency Funds

These funds are used to account for assets that the City holds for others in a custodial capacity.

### B. Basis of Accounting and Measurement Focus

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

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

### C. Budgets

The City of Chehalis adopts annual appropriated budgets for the general, special revenue, debt service, capital, trust, and enterprise 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. However, as outlined below, the City's 2014 budget did not blend managerial funds into the General Fund budget.

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures and Transfers Out	Variance
General Fund:			
City Council	94,051	92,392	1,659
City Manager	274,409	274,083	326
City Clerk	76,636	75,716	920
Municipal Court	353,304	414,817	(61,513)
Finance	97,498	80,992	16,506
Human Resources	90,033	89,324	709
Police	2,593,170	2,592,655	515
Fire	1,674,956	1,674,868	88
Community Development	1,259,004	1,259,617	(613)
Public Works - Streets	753,961	753,798	163
Non-Departmental	1,652,161	1,591,051	61,110
Total General Fund	8,919,183	8,899,313	19,870
Arterial Streets Fund	175,540	160,390	15,150
Tourism Fund	181,475	162,102	19,373
CDBG Fund	90,922	90,922	0
HUD Block Grant	188,000	188,000	0
Federal and State Grants Fund	3,609,413	3,555,667	53,746
2011 G.O. Bond Fund	103,049	103,048	1
Public Facilities Reserve Fund	0	0	0
Automotive/Equipment Res. Fund	58,256	58,159	97
1 <sup>st</sup> Quarter REET Fund	43,772	43,772	0
2 <sup>nd</sup> Quarter REET Fund	33,473	33,473	0
Wastewater Fund	4,558,347	4,513,555	44,792
Water Fund	2,511,180	2,097,794	413,386
Storm and Surface Water Fund	467,158	421,773	45,385
Garbage Fund	12,347	5,228	7,119
Airport Fund	1,716,119	1,527,632	188,487
Firemen's Pension Fund	69,400	53,081	16,319
Total All Funds	22,737,634	21,913,909	823,725

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

Due to State reporting standards imposed by the Washington State Budget, Accounting, and Reporting System (BARS), the following four funds have been determined to be managerial funds: the Compensated Absences Fund, the

Public Facilities Reserve Fund, the Automotive/Equipment Reserve Fund, and the Federal and State Grant Fund. This determination mandates that they be treated as a part of the General Fund for financial reporting purposes. Because of this dichotomy between the City's budgeting and its financial reporting requirements, the interfund transactions between the General Fund and its managerial funds have been eliminated from the General Fund totals. The following reconciliation shows the summation of the General Fund and its managerial funds, less eliminated transactions:

Fund	Final Appropriated Amounts	Actual Expenditures and Transfers Out
Total General Fund	8,919,183	8,899,313
Federal and State Grants Fund	3,609,413	3,555,667
Public Facilities Reserve Fund	0	0
Automotive/Equipment Res. Fund	58,256	58,159
Total General Fund Including Managerial Funds	12,586,852	12,439,021
Less: Interfund Transfers	2,639,512	2,635,767
Reconciled General Fund Total	9,947,340	9,803,254

D. Cash and Investments

See Note 3, Cash and Investments

E. Capital Assets

Capital assets include land of any value and land improvements, infrastructure, buildings, furnishings, fixtures furniture, equipment, machinery, tools, vehicles, artwork and historic collections with a value of \$5,000 or more for non-infrastructure or \$10,000 or more per item for infrastructure, and having a useful life exceeding one year from the date of acquisition. The capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 384 hours and is payable upon separation, retirement or death (subject to union or employment agreements that may allow for more liberal accumulation and payment).

Sick leave may be accumulated up to 720 hours. Up to 100% of sick leave is payable upon termination of service, if certain requirements are met.

Payments are recognized as expenditures when paid.

Compensated Absence liabilities are reported on Debt Schedule 09.



G. Long-Term Debt (See Long-Term Debt Note 6.)

H. Other Financing Sources Or Uses

The City of Chehalis' "Other Financing Sources or Uses" consist of transfers-in and out between funds; interfund loans; and proceeds from debt issuance.

I. Risk Management

The City of Chehalis 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 175 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 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 agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

Claims are filed by members with the WCIA, which performs pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the WCIA under this arrangement for the years ending December 31, 2013 and 2014 were \$249,571 and \$275,107, respectively.

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. Copies of the pool's annual report may be obtained by writing to P.O. Box 88030, Tukwila, WA 98138.

The City self-insures for unemployment taxes and an eyeglass and contact lens program. (See Self-Insurance Note 8.)

Additionally, the City self-insures for out-of-pocket medical expenses of its pre-LEOFF1 firefighter retirees and LEOFF1 firefighter and police officer retirees. (See Other Post-Employment Benefits Note 9.)

#### J. Reserved Fund Balances

External parties have placed restrictions on certain balances. The nature of the restrictions and the related amounts at December 31, 2014 are noted below:

General Fund:	
UNET Funds	\$29,833
Substance Abuse Treatment	9,856
Felony/Confis/Forfeitures	1,680
FEMA Mapping Appeal	44,090
Parks and Recreation Donations	7,853
	<u>\$93,312</u>

Arterial Street Fund:	
Paths and Trails	\$2,742
Motor Vehicle Tax Restrictions	18,514
	<u>\$21,256</u>
Tourism Fund	
Hotel/Motel Tax Restrictions	\$95,114
CDBG Fund	<u>\$11</u>
HUD Fund	<u>\$139,906</u>
Gambling Enforcement Fund	
Gambling Seizure Restrictions	0
1 <sup>st</sup> Quarter REET Fund	
1 <sup>st</sup> Quarter REET Tax Restrictions	<u>\$123,306</u>
2 <sup>nd</sup> Quarter REET Fund	
2 <sup>nd</sup> Quarter REET Tax Restrictions	<u>\$59,979</u>
Wastewater Fund	
Debt Covenants	<u>\$1,105,750</u>
Water Fund	
Debt Covenants	\$333,761
Utility Deposits	260,944
Water Fund Restrictions	<u>\$594,705</u>
Airport Fund	
Debt Requirements	<u>\$1,565,777</u>
Firefighters' Pension Trust Fund	
Trust Limitations	<u>\$383,125</u>
City Agency Fund	
Agency Limitations	<u>\$7,307</u>

## NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding the legal appropriations of any funds of the City of Chehalis.

## NOTE 3 – CASH AND INVESTMENTS

The City's investments are insured, registered, or held by the City or its agent in the City's name except the invested cash held by Lewis County for the final 6/1/2017 debt payment on the Chehalis-Centralia Airport Bond which is held in the name of the Airport. Deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington Public Deposit Protection Commission (WPDPC).

The amount of cash and investments 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.

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

Type of Investment	City of Chehalis' Own Investments	Investments held by the City of Chehalis as an Agent for Other Governments or Individuals	Total
Washington State Local Government Investment Pool	\$6,613,394	0	\$6,613,394
Certificates of Deposits	250,000	0	250,000
Held by Lewis County	1,565,777	0	1,565,777
Total	\$8,429,171	0	\$8,429,171

## NOTE 4 – PROPERTY TAX

The Lewis 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's regular levy for the year 2014 was \$2.32943495271 per \$1,000 on an assessed valuation of \$582,108,287 for a total regular levy of \$1,355,983

The City also has a levy for Emergency Medical Services (EMS). In 2014, the EMS levy was \$0.398176825818 per \$1,000 on an assessed valuation of \$582,108,287 for a total EMS levy of \$231,782.03

#### NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2014:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 12/31/2013</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/14</b>
Wastewater Fund	Water Fund	\$167,206	0	\$83,332	\$83,874

In 2012, the Wastewater Fund borrowed \$250,000 from the Water Fund, in order to ensure sufficient unreserved funds for operations. The City Council authorized this interfund loan at an interest rate of 0.65% per annum with three annual payments scheduled to service the loan, with the final payment scheduled for October 1, 2015.

#### NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Debt (09) provides a listing of the outstanding debt of the City of Chehalis and summarizes the City's debt transactions for the year 2014.

The City's total debt service requirements, including interest, are as follows:

<b>Year</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Airport Bond</b>	<b>Total Debt</b>
2015	96,906	2,006,129	316,206	2,419,241
2016	95,281	2,004,564	316,206	2,416,051
2017	98,656	2,002,924	1,565,777	3,667,357
2018	101,906	2,001,258		2,103,164
2019	99,563	2,002,518		2,102,081
2020-2024	490,032	9,553,426		10,043,458
2025-2028	212,200	4,361,838		4,574,038
<b>TOTALS</b>	<b>\$1,194,544</b>	<b>\$23,932,657</b>	<b>\$2,198,189</b>	<b>\$27,325,390</b>

#### NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following pension plans: (1) Public Employees' Retirement Systems (PERS) Plans 1, 2 and 3; and (2) Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plan 2 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 system 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 8 - SELF INSURANCE

The City self-insures for several programs: an eyeglass and contact lens program; unemployment taxes; and out-of-pocket medical costs incurred by pre-LEOFF1 and LEOFF1 retirees.

The eyeglass and contact lens program provides eyeglasses and contact lenses to council members, Teamsters police officers, and non-represented employees and their dependents. In 2014, \$3,270 was expended on this program.

As a government agency, the City has the option to pay unemployment taxes on a reimbursement basis to the State of Washington. For 2014, the City paid \$31,417 in reimbursement to the State for unemployment taxes.

Pre-LEOFF1 and LEOFF1 medical costs reimbursed by the City are addressed in the Other Post-Employment Benefits Note 9, below.

#### NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In accordance with state law, the City provides OPEB to its pre-LEOFF1 firefighter retirees and LEOFF1 firefighter and police officer retirees.

Pre-LEOFF1 benefits are two-fold: eligible retirees receive a supplemental pension payment and medical benefits. Supplemental pension payments are based upon formulas using the City's current compensation levels. In the event that the pension paid by the State falls short of what the retiree should receive based upon the formula, the City pays for the difference. Should the retiree receive more from the State than would result from the application of the formula, no adjustments or paybacks are requested.

For both pre-LEOFF1 and LEOFF1 retirees, the City provides full medical insurance through its regular carrier and reimburses the full cost of Medicare premiums of those retirees eligible for Medicare. Additionally, the City self-insures for all eligible out-of-

pocket costs including but not limited to: co-pays for doctor visits and medicines, as well as long-term care costs not covered by Medicare.

All costs associated with the pre-LEOFF1 firefighter retirees are accounted for in the Firefighters Pension Trust Fund. In 2014, the fund incurred expenditures totaling \$45,743 and \$7,339 for medical and pension costs, respectively. Of the \$45,743 in medical costs, \$37,438 was paid for medical insurance and \$8,305 consisted of self-insured costs.

LEOFF1 benefits for firefighter and police officer retirees are limited to medical benefits. These costs are accounted for in the General Fund as Non-Departmental expenses. In 2014, the City expended \$82,818 and \$49,684 on LEOFF1 police officer and firefighter retirees' medical costs, respectively. Of the \$82,818 in LEOFF1 police officer medical costs, \$10,411 consisted of self-insured costs. Of the \$49,684 in LEOFF1 firefighter costs, \$9,179 consisted of self-insured costs.

#### NOTE 10: HEALTH & WELFARE

The City of Chehalis is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed January 1, 2014 when participating cities, town and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the trust.

As of December 31, 2014 263 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and town within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of



Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate the member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees for its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and made operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW and chapter 200-110 –WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC HCP is available from the Washington State Auditor's office.

#### NOTE 11: THE CHEHALIS-CENTRALIA AIRPORT

The Chehalis-Centralia Airport (Airport) was formed in 1961 under RCW 14.08.200 as a multi-jurisdictional agency between Lewis County and the Cities of Chehalis and Centralia. On August 24, 2005, by joint resolution of the cities of Chehalis and Centralia and Lewis County, the City of Centralia was removed from the joint operating agreement of the Chehalis-Centralia Airport and the Chehalis-Centralia Airport Operating Agreement dated December 19, 2005 was signed by the County and the City of Chehalis. In 2013 Lewis County and the City of Chehalis signed a Transfer



Agreement which transferred the operation of the Chehalis-Centralia Airport solely to the City of Chehalis effective January 1, 2014. At that time the Airport became a department within the City of Chehalis and an Enterprise fund was established to record the financial activities of the Airport.

The assets of the Airport were transferred to the City with Lewis County retaining possession of \$1,565,777.43 which will be used to pay the final payment due June 1, 2017 on the Lewis County, Washington, Limited Tax General Obligation Bond, 2007 (Centralia-Chehalis Airport). Interest earned on the investment of these funds will be credited to the City of Chehalis and the City will be obligated to provide the remaining funds needed to pay the annual debt payments of \$316,206 for 2014, 2015, and 2016. The outstanding balance of the debt as of December 31, 2014 was \$2,006,784.89.

#### NOTE 12: THE GAIL & CAROLYN SHAW AQUATICS CENTER

In 2013 the City of Chehalis and the Chehalis Foundation, a local 501(c)(3) nonprofit foundation, signed a joint agreement to work together to construct a swimming facility within the City, wholly owned by the City. Although the City had final authority over decisions related to the building of the facility, items that materially affected the functionality of the facility were mutually agreed upon by the City and the Foundation.

The total cost of the project was \$2,355,503 which was funded by a State Recreation & Conservation grant (\$250,000), a federal grant from the Department of Natural Resources Land & Water Conservation Fund (\$250,000), the Chehalis Foundation (\$1,837,054) and the City's in-kind contribution (\$18,449).

The City's 2014 financial statements include revenues related to this project in the amount of \$1,942,144, of which \$1,704,643.56 was received from the Chehalis Foundation. The City's expenses for 2014 include \$2,218,976.73 paid for construction costs.

The Gail & Carolyn Shaw Aquatics Center opened on August 18, 2014.

During all of the planning and construction of the Aquatics Center Dr. Isaac Pope served as a Council Member for the City of Chehalis and also served on the Board of Directors for the Chehalis Foundation.

#### NOTE 13: SUBSEQUENT EVENTS

In 2014 the City was awarded two loans by Washington State Public Works Board. A \$555,500 loan for the Replacement of High Level Reservoir and a \$909,000 Redundant Flocculation Basin – Water Filter Plant loan were awarded for the City's Water Fund. The exact amount of the loans will be determined by the cost of the related projects. Each loan has an interest rate of 1.5%. The loans will be repaid from the revenues of

the Water Fund. Interest will begin when loan funds are received by the City. Loans funds will be requested beginning in July 2015 for the period ending June 30, 2015.

Effective January 1, 2015, the City established a new governmental fund. Fund #003 - Dedicated Street fund will receive four percent (4%) of the City's sales tax revenue received from the State of Washington. This revenue transferred from the general fund will be used and accumulated for needed street improvements not otherwise funded. As of May 28, 2015 \$45,073 had been transferred to the Dedicated Street Fund.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance 01/01/2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2014</b>
<b>General Obligations</b>						
251.11	2011 G. O. Bond	12/1/2026	1,025,000	-	70,000	955,000
259.11	Compensated Absences		958,790	706,946	625,655	1,040,081
	<b>Total General Obligations:</b>		<b>1,983,790</b>	<b>706,946</b>	<b>695,655</b>	<b>1,995,081</b>
<b>Revenue Obligations</b>						
252.11	SRFL #5 (DOH)	10/1/2026	819,987	-	63,076	756,911
259.12	Compensated Absences		271,761	227,869	183,948	315,682
252.11	1979 Revenue Bond	8/1/2019	132,000	-	19,000	113,000
263.82	SRFL #4 (DOH)	1/1/2020	350,005	-	50,001	300,004
263.82	SRFL #1 (DOE)	5/1/2024	1,611,942	-	142,821	1,469,121
263.82	SRFL #2 (DOE)	12/30/2023	181,882	-	16,986	164,896
263.82	SRFL #3A (DOE)	6/30/2027	22,013,411	-	1,630,623	20,382,788
263.82	SRFL #3B (DOE)	9/30/2028	593,184	-	39,546	553,638
252.11	Lewis County Chehalis-Central Airport	6/1/2017	-	2,229,070	222,285	2,006,785
	<b>Total Revenue Obligations:</b>		<b>25,974,172</b>	<b>2,456,939</b>	<b>2,368,286</b>	<b>26,062,825</b>
	<b>Total Liabilities:</b>		<b>27,957,962</b>	<b>3,163,885</b>	<b>3,063,941</b>	<b>28,057,906</b>

**City of Chehalis**  
**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass-Through Awards	From Direct Awards	Total	
Office Of Water, Environmental Protection Agency (via Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-592-179 &	19,806	-	19,806	4
Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation)	Highway Planning and Construction	20.205	DM 13-952-180 LA-7315 & LA-8266	233,864	-	233,864	2
Department of Natural Resources (via Recreation Conservation Office)	Outdoor Recreation_Acquisition, Development & Planning	15.916	P14AP00346	250,000	-	250,000	2
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	DOT-FA13NIM-0006	-	5,137	5,137	2
Department Of Homeland Security (via WA Military Dept.)	Hazard Mitigation Grant	97.039	FEMA-1817-DR-WA-21-R/E11-076	80,480	-	80,480	2
<b>Total Federal Awards Expended:</b>				<b>584,150</b>	<b>5,137</b>	<b>589,287</b>	

CITY OF CHEHALIS, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City'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 grant portion of the program costs. Entire program costs, including the City's portion, are more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing renovation. Under this federal program, repayments to the City are considered program revenues and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$0, as presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$0.

NOTE 4 – WASHINGTON STATE PUBLIC WORKS BOARD LOANS

In 2014 the City of Chehalis received two loans from the Washington State Public Works Board through the Drinking Water State Revolving Fund. A loan for an amount up to \$555,500 was approved for our Replacement of High Level Reservoir and a loan for an amount of up to \$909,000 was approved for our Redundant Flocculation Basis – Water Filter project. Both loans are funded by the Environmental Protection Agency. No loan funds were received in 2014.

## 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	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>