



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Town of Naches

Yakima County

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

Published August 27, 2015

Report No. 1014897





Washington State Auditor's Office

August 27, 2015

Mayor and Town Council
Town of Naches
Naches, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

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FEDERAL SUMMARY

**Town of Naches
Yakima County
January 1, 2014 through December 31, 2014**

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

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

The Town qualified as a low-risk auditee under OMB Circular A-133.

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

**Town of Naches
Yakima County
January 1, 2014 through December 31, 2014**

Mayor and Town Council
Town of Naches
Naches, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Naches, Yakima County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated August 21, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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



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

August 21, 2015

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

**Town of Naches
Yakima County
January 1, 2014 through December 31, 2014**

Mayor and Town Council
Town of Naches
Naches, Washington

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

PURPOSE OF THIS REPORT

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



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

August 21, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Naches Yakima County January 1, 2014 through December 31, 2014

Mayor and Town Council
Town of Naches
Naches, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Naches, 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 21, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



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

August 21, 2015

FINANCIAL SECTION

**Town of Naches
Yakima County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	105 Hotel/motel Tax Fund	301 Capital Projects Fund	401 Water Sewer Fund
Beginning Cash and Investments							
30810	Reserved	16,713	-	-	-	253	16,460
30880	Unreserved	1,157,634	436,380	92,124	8,618	193,232	427,280
388 & 588	Prior Period Adjustments, Net	-	-	-	-	-	-
Operating Revenues							
310	Taxes	404,227	292,175	106,155	1,074	4,824	-
320	Licenses and Permits	2,980	2,980	-	-	-	-
330	Intergovernmental Revenues	397,557	16,529	16,605	-	364,422	-
340	Charges for Goods and Services	626,854	111,153	505	-	-	515,196
350	Fines and Penalties	12,628	12,628	-	-	-	-
360	Miscellaneous Revenues	20,772	9,794	2,657	3	402	7,916
Total Operating Revenues:		1,465,018	445,259	125,922	1,078	369,647	523,112
Operating Expenditures							
510	General Government	249,815	249,815	-	-	-	-
520	Public Safety	121,388	121,388	-	-	-	-
530	Utilities	436,975	106,587	-	-	-	330,387
540	Transportation	79,498	-	79,498	-	-	-
550	Natural and Economic Environment	19,116	19,116	-	-	-	-
560	Social Services	185	185	-	-	-	-
570	Culture and Recreation	21,269	21,269	-	-	-	-
Total Operating Expenditures:		928,246	518,361	79,498	-	-	330,387
Net Operating Increase (Decrease):		536,772	(73,101)	46,424	1,078	369,647	192,725
Nonoperating Revenues							
370-380, 395 & 398	Other Financing Sources	146,311	22	917	-	-	145,372
391-393	Debt Proceeds	213,578	-	-	-	-	213,578
397	Transfers-In	125,500	125,000	-	500	-	-
Total Nonoperating Revenues:		485,389	125,022	917	500	-	358,951
Nonoperating Expenditures							
580, 596 & 599	Other Financing Uses	-	-	-	-	-	-
591-593	Debt Service	126,527	-	-	-	-	126,527
594-595	Capital Expenditures	624,031	5,503	-	-	384,528	234,000
597	Transfers-Out	125,500	500	45,000	-	-	80,000
Total Nonoperating Expenditures:		876,058	6,003	45,000	-	384,528	440,527
Net Increase (Decrease) in Cash and Investments:		146,103	45,918	2,341	1,578	(14,881)	111,148
Ending Cash and Investments							
50810	Reserved	16,953	-	-	-	493	16,460
50880	Unreserved	1,303,497	482,297	94,465	10,196	178,111	538,428

The accompanying notes are an integral part of this statement.

TOWN OF NACHES
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town Of Naches was incorporated in 1921 and operates under the laws of the State of Washington applicable to a fourth class town with a Mayor-Council form of government. The Town Of Naches is a general purpose government and provides public safety via a contract with the Yakima County Sheriff's Office, fire prevention through the Yakima County Fire District #3, street improvements, general administrative services and a city owned water sewer utility.

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

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

a. Fund Accounting

The accounts of the Town of Naches 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 Town's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are fund types used by the Town.

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

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

Special Revenue Funds (100-199)

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

Capital Project Funds (300 – 399)

These funds account for the financial resources that are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

b. Basis of Accounting

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.

In accordance with state law the Town of Naches 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 Town of Naches adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated	Actual	
Fund/Department	Amounts	Expenditures	Variance
Current Expense Fund	\$ 544,335	\$ 524,364	\$ 19,971
Current Expense	\$ -	\$ -	\$
Street Fund	\$ 148,375	\$ 124,498	\$ 23,877
Capital Projects Fund	\$ 400,000	\$ 384,528	\$ 15,472
Water/Sewer Fund	\$ 497,920	\$ 449,864	\$ 48,056
W/S Bond Redemption	\$ 16,460	\$ 16,460	\$ 0
Debt (SIED) Service Fund	\$ 70,590	\$ 70,589	\$ 1
Water Construction	\$ 249,319	\$ 234,001	\$ 15,318
		\$	\$

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 Town Council.

d. Cash

It is the Town's policy to invest all temporary cash surpluses. The amount is included in the net 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 Town Of Naches's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

f. Investments See Note 2

h. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of 12 years. The capital assets of the Town of Naches are recorded as expenditures when purchased.

i. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate with no limit. Upon separation or retirement employees do not receive payment for unused sick leave

j. Long-Term Debt See Note 4

k. Other Financing Sources Or Uses

The Town Of Naches's "Other Financing Sources or Uses" consist of debt proceeds and debt service, funds.

l. Risk Management

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

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

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

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

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

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

m. Reserved Fund Balance

The Town of Naches has reserved fund balances in:

- \$493.39 in the 301- CDBG Rehab Fund – the funds are part of a federally funded revolving loan program for low income housing renovations and must be expended in CDBG restricted criteria.
- \$16,460.00 in the 401- Water/Sewer Bond Reserve Fund to meet bond covenants for a USDA-RD Loan. The terms of the loan requires one (1) year of debt service to be reserved for the life of the loan.

NOTE 2 – INVESTMENTS

The Town of Naches investments are insured, registered or held by the Town of Naches or its agent in the Town's name. All investments are presented at cost.

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

Type of Investment	Town of Naches Own investments	Investments held by Town of Naches as an agent for others	Total
L.G.I.P.	\$926,500.42	\$0.00	\$926,500.42
Other			
Total	\$926,500.42	\$0.00	\$926,500.42

NOTE 3 – PROPERTY TAX

The 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 Town of Naches. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Town of Naches's regular levy for the year 2014 was 2.58149 per \$1,000 on an assessed valuation of \$47,240,030., for a total regular levy of \$120,939.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Naches and summarizes the Town's debt transactions for year ended December 31, 2014. The Town of Naches (TOWN) has applied for and received 2013 Drinking Water State Revolving Fund (DWSRF) loan monies to the potable water system. Reservoir Improvements and Water Valve Replacements.

The debt service requirements for revenue bonds and other debt including both principle and interest are as follows:

		Note 4					
		General					
		Obligation		Revenue		Other	Total
		Bonds		Bonds		Debt	Debt
2015				\$ 16,460.00		\$ 123,728.52	\$ 140,188.52
2016				\$ 16,460.00		\$ 123,192.29	\$ 139,652.29
2017				\$ 16,460.00		\$ 122,740.01	\$ 139,200.01
2018				\$ 16,460.00		\$ 122,287.71	\$ 138,747.71
2019				\$ 16,460.00		\$ 121,835.37	\$ 138,295.37
2020-24				\$ 82,300.00		\$ 209,779.88	\$ 292,079.88
2025-29				\$ 82,300.00		\$ 62,612.71	\$ 144,912.71
2030-34				\$ 82,300.00		\$ 59,713.93	\$ 142,013.93
2035-39				\$ 82,300.00		\$ -	\$ 82,300.00
2040-42				\$ 49,380.00		\$ -	\$ 49,380.00
TOTALS		\$0.00		\$ 460,880.00		\$ 945,890.42	\$ 1,406,770.42

NOTE 5 – PENSION PLANS

Substantially all Town of Naches's full-time and qualifying part-time employees participate in PERS 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 Town of Naches'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

OTHER DISCLOSURES

Fund Reporting

The Town has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- General Fund 001, (Current Expense) includes the funds of 004.
- Capital Projects Fund 301, includes the funds of 303, 305, and 310. 2013 Annual report included funds 102 and 103 the funds were transferred to 303 and 305 Capital Projects Funds.
- Water/Sewer Utility Fund 401, includes the funds of 402, 403, 404, 409, 410, and 420

SIED Grants/Loans with Private Entities

The Town of Naches has entered into multiple agreements for SIED Grants/ Loans. These loans are an obligation of the private entities that the Town has made agreements and the Town only serves as a collection/contractual agency for these funds. The Town has binding individual contracts with private entities. When payments are made these funds are recorded in the 403 fund to be repaid yearly to Yakima County (Grant/Loan provider). These loans are included on Schedule 9 and Note No. 4 debt service requirements.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absence- Gen'l Oblg		11,672	-	1,486	10,186
	Total General Obligations:		11,672	-	1,486	10,186
Revenue Obligations						
263.82	PWTF-Sewer- Orig 6/99	6/1/2019	179,322	-	29,887	149,435
263.82	PWTF-Water Orig 6/02	6/1/2021	59,986	-	7,498	52,488
252.11	USDA-RD-Sewer- Orig 6/2002	6/25/2042	263,627	-	4,597	259,030
263.82	SIED Loan-Orig 1/1/2010	6/1/2021	211,460	-	24,257	187,203
263.82	SIED Loan-Orig 6/1/2010	6/1/2021	209,577	-	24,041	185,536
263.82	SIED Loan Orig 6/1/2012	6/1/2020	74,788	-	8,459	66,329
263.82	DWSRF- Water Valve and Reservoir 12/2013	10/1/2037	2,110	213,578	-	215,688
259.12	Compensated Absence Revenue		5,030	379	-	5,409
	Total Revenue Obligations:		1,005,900	213,957	98,739	1,121,118
	Total Liabilities:		1,017,572	213,957	100,225	1,131,304

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Community Development Block Grant/Entitlement)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	Program Income	240	-	240	1,3
Total CDBG - State-Administered CDBG Cluster:				240	-	240	
Drinking Water State Revolving Fund Cluster							
Office Of Water, Environmental Protection Agency (via Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-155	129,013	-	129,013	1,2
Office Of Water, Environmental Protection Agency (via Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-156	84,565	-	84,565	1,2
Total Drinking Water State Revolving Fund Cluster:				213,578	-	213,578	
Highway Planning and Construction Cluster							
	Highway Planning and Construction	20.205	STPUS- 9939(024)	315,956	-	315,956	1,2
Total Highway Planning and Construction Cluster:				315,956	-	315,956	
Total Federal Awards Expended:				529,774	-	529,774	

NACHES, WASHINGTON
(TOWN OF NACHES)

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

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the town's financial statements. The Town uses the cash basis method of accounting as prescribed by SAO.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The town has a revolving loan program for low income housing renovation. Under this federal program, repayments to the town are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$0.00 and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$240.00.

NOTE 4- FEDERAL LOANS

The Town of Naches (TOWN) has applied for and received 2013 Drinking Water State Revolving Fund (DWSRF) loan monies to make the following improvements to the potable water system. Water Reservoir Improvements \$129,013.10 and Water Valve Replacement \$84,565.00.

The amount listed for each loan includes the proceeds received during the year, these loan are reported on the Town of Naches Schedule 9 of Long-Term Liabilities.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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