



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Cashmere

Chelan County

For the period January 1, 2015 through December 31, 2015

Published July 25, 2016

Report No. 1017152





Washington State Auditor's Office

July 25, 2016

Mayor and City Council
City of Cashmere
Cashmere, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Cashmere
Chelan County
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Cashmere are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.781	ARRA-Water and Waste Disposal Systems for Rural Communities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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 Cashmere
Chelan County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Cashmere
Cashmere, 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 Cashmere, Chelan County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated July 11, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

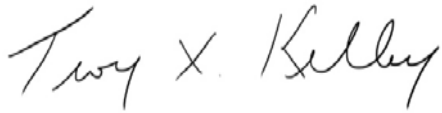
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

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

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

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 11, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Cashmere
Chelan County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Cashmere
Cashmere, Washington

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

We have audited the compliance of the City of Cashmere, Chelan County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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.

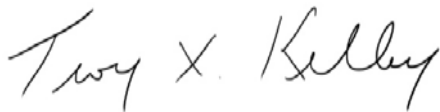
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 11, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Cashmere Chelan County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Cashmere
Cashmere, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Cashmere, Chelan County, Washington, for the year ended December 31, 2015, 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 Cashmere 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 Cashmere, for the year ended December 31, 2015, 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 Cashmere, as of December 31, 2015, 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.

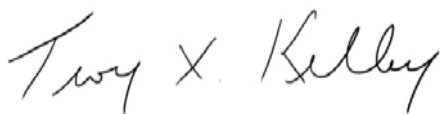
Other Matters

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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 July 11, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 11, 2016

FINANCIAL SECTION

**City of Cashmere
Chelan County
January 1, 2015 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

City of Cashmere
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 GENERAL GOVERNMENT FUND	108 LODGING TAX FUND
Beginning Cash and Investments				
30810	Reserved	926,667	-	-
30880	Unreserved	7,681,601	2,210,296	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	1,711,957	1,678,506	3,573
320	Licenses and Permits	60,453	60,453	-
330	Intergovernmental Revenues	2,601,677	135,745	-
340	Charges for Goods and Services	3,893,113	224,974	-
350	Fines and Penalties	29,555	29,555	-
360	Miscellaneous Revenues	408,583	115,893	-
Total Operating Revenues:		8,705,338	2,245,125	3,573
Operating Expenditures				
510	General Government	228,643	228,643	-
520	Public Safety	611,141	611,141	-
530	Utilities	2,045,471	73,601	-
540	Transportation	611,206	510,581	-
550	Natural and Economic Environment	94,662	91,089	3,573
560	Social Services	692	692	-
570	Culture and Recreation	250,372	250,372	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		3,842,186	1,766,119	3,573
Net Operating Increase (Decrease):		4,863,151	479,006	0
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	33,880	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	444,600	-	-
Total Nonoperating Revenues:		478,480	-	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	1,160,663	-	-
594-595	Capital Expenditures	3,322,832	2,882	-
597	Transfers-Out	444,600	409,450	-
Total Nonoperating Expenditures:		4,928,095	412,332	-
Net Increase (Decrease) in Cash and Investments:		413,537	66,674	0
Ending Cash and Investments				
5081000	Reserved	1,051,291	-	-
5088000	Unreserved	7,970,513	2,276,971	-
Total Ending Cash and Investments		9,021,805	2,276,971	-

The accompanying notes are an integral part of this statement.

302 CAPITAL IMPROVEMENT FUND	401 WATER/WASTEWA TER FUND	406 SANITATION FUND	501 EQUIPMENT RENTAL FUND	702 CEMETERY ENDOWMENT FUND
-	721,809	-	-	204,858
559,620	3,478,850	514,050	918,783	-
-	-	-	-	-
29,878	-	-	-	-
-	-	-	-	-
583,897	1,882,035	-	-	-
-	3,114,263	540,662	-	13,215
-	-	-	-	-
692	16,594	13,821	261,353	230
614,467	5,012,892	554,483	261,353	13,445
-	-	-	-	-
-	-	-	-	-
-	1,488,766	483,103	-	-
-	-	-	100,625	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,488,766	483,103	100,625	-
614,467	3,524,126	71,380	160,728	13,445
-	17,330	-	16,550	-
-	-	-	-	-
409,450	-	-	35,150	-
409,450	17,330	-	51,700	-
-	-	-	-	-
-	1,160,663	-	-	-
788,907	2,479,556	-	51,487	-
-	-	35,150	-	-
788,907	3,640,219	35,150	51,487	-
235,010	(98,762)	36,230	160,941	13,445
-	832,989	-	-	218,302
794,630	3,268,907	550,280	1,079,725	-
794,630	4,101,896	550,280	1,079,725	218,302

The accompanying notes are an integral part of this statement.

City of Cashmere
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	623 FLEXIBLE BENEFITS TRUST	635 TREASURER'S CLEARING FUND
308	Beginning Cash and Investments	-	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	13,177	1,200	11,977
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	13,177	1,200	11,977
	Net Increase (Decrease) in Cash and Investments:	-	-	(0)
508	Ending Cash and Investments	-	-	-

The accompanying notes are an integral part of this statement.

City of Cashmere
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The City of Cashmere was incorporated on November 11, 1904 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Cashmere is a general purpose local government and provides public safety, fire protection, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a water and wastewater utility system and a sanitation and recycling service department.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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 government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the government holds on behalf of 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 of Cashmere 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 Cashmere adopts annual appropriated budgets for all funds, excluding Trust, Clearing and Permanent funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Government Fund	\$1,105,625	\$1,057,734	\$47,891
Public Works Fund	\$1,207,333	\$1,120,717	\$86,616
Lodging Tax Fund	\$5,000	\$3,573	\$1,427
Capital Improvement Fund	\$913,066	\$788,907	\$124,159
Water/Wastewater Fund	\$1,561,144	\$1,489,191	\$71,953
WW Construction Account	\$1,866,000	\$1,766,576	\$99,424
Sanitation Fund	\$526,635	\$518,253	\$8,382
Water Capital Fund	\$632,800	\$605,231	\$27,569
Wastewater Capital fund	\$237,700	\$107,749	\$129,951
Jr. Lien Pretrt Bond 2011	\$538,438	\$538,438	\$0
Revenue Bond 2013 #R1	\$394,700	\$394,700	\$0
Revenue Bond 2013 #R2	\$227,100	\$227,100	\$0
Equipment Rental Fund	\$188,367	\$152,112	\$36,255
Grand Total	\$9,403,908	\$8,770,281	\$633,627

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

Ordinance No. 1237 adopted the budget for 2015. The City Council amended the budget twice with Ordinance No. 1239 due to a salary increase for the Clerk-Treasurer and the Director of Planning and Building and Ordinance No. 1245 due to projects and project funding.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees receive payment for unused sick leave for only those hours above 480 at the rate of one-half of the employee's hourly rate of pay. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources* or *Uses* consist of compensation for insurance recoveries, proceeds from sale of capital assets and development fees.

I. Risk Management

The City of Cashmere 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 179 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, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

The following is the liability and program assessments for 2015.

Auto Physical Damage	\$ 8,891
Boiler & Machinery	\$ 991
Crime/Fidelity	\$ 279
Liability	\$55,330
Property	\$32,320
TOTAL	\$97,811

Program Deductibles are:

Liability Program is \$0.00
Property Program is \$5,000
Auto Physical Damage Program is \$1,000
Boiler and Machinery Program is \$10,000

The assessment is prorated to all operating funds according to property and vehicles. The City expects annual claims of approximately \$10,521 based on a five year average from 2011 through 2015.

WCIA's financial statements can be viewed at <http://www.wciapool.org/communications/annual-reports>.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when they are subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council through ordinance. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

401 Water/Wastewater Fund
\$832,989 Bond Reserves for Revenue Bonds 2011, 2013# R1 & 2013#R2
702 Cemetery Endowment Fund
\$218,302 Permanent Fund Reserves

Note 2 - Property Tax

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

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

The City of Cashmere's regular levy for the year 2015 was 2.4999 per \$1,000 on an assessed valuation of \$234,919,519 for a total regular levy of \$587,285.

Note 3 – Deposits and Investments

It is the City of Cashmere's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City of Cashmere or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	City's own investments	Investments held by City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	<u>\$5,735,737</u>	\$ _____	<u>\$5,735,737</u>
U.S. Government Securities	<u>\$2,977,840</u>	\$ _____	<u>\$2,977,840</u>
Total	<u>\$8,713,577</u>	\$ _____	<u>\$8,713,577</u>

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2015.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$579,154	\$577,646	\$1,156,800
2017	\$610,188	\$546,925	\$1,157,113
2018	\$646,419	\$514,443	\$1,160,862
2019	\$677,855	\$479,883	\$1,157,738
2020	\$709,501	\$443,549	\$1,153,050
2021 – 2025	\$1,155,077	\$1,953,923	\$3,109,000
2026 – 2030	\$1,357,115	\$1,751,885	\$3,109,000
2031 – 2035	\$1,594,492	\$1,514,508	\$3,109,000
2036 – 2040	\$1,873,388	\$1,235,612	\$3,109,000
2041 – 2045	\$2,201,068	\$907,932	\$3,109,000
2046 – 2050	\$2,586,062	\$522,938	\$3,109,000
2051 – 2055	\$1,761,368	\$101,419	\$1,862,787
TOTALS ...	<u>\$15,751,687</u>	<u>\$10,550,663</u>	<u>\$26,302,350</u>

Note 5 - Pension Plans

Substantially all City of Cashmere's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The City of Cashmere also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2015 (the measurement date of the plans), the City of Cashmere proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	0.007766%	\$406,234
PERS 2/3	0.010028%	\$358,306
VFFRPF	0.42%	(\$81,504)

Note 6 - Other Disclosures

On August 24, 2015 the City Council authorized the mayor and staff to advertise a Request for Proposals for Solid Waste Services. On March 14, 2016 the City Council authorized the Solid Waste Committee to negotiate a Solid Waste Services Agreement with Waste Management.

Waste Management signed the Contract for Solid Waste Services on May 13, 2016. The Contract has a start date of October 1, 2016 and is for a ten year term. The Contract will be presented to the City Council on May 23, 2016 for approval. With approval the City's Sanitation Fund will be closed at the end of 2016 and the fund balance will be moved to the Capital Improvement fund.

The Total Beginning Outstanding Items on Schedule 7 match the Total Ending Outstanding Items from the previous year. However a few of the individual funds do not match. Money was moved from one fund to another, likely due to an incorrect bars number coding.

City of Cashmere
Schedule of Liabilities
For the Year Ended December 31, 2015

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Obligations						
252.11	Revenue Bond 2011 W/WW Jr. Lien	10/1/2020	2,615,000	-	375,000	2,240,000
252.11	Revenue Bond 2013 #R1	12/19/2053	8,690,000	-	113,187	8,576,813
252.11	Revenue Bond 2013 #R2	12/19/2053	5,000,000	-	65,125	4,934,875
259.12	Compensated Absenses		56,866	58,435	66,876	48,425
264.30	Pension Liabilities		-	764,540	-	764,540
Total Revenue Obligations:			16,361,866	822,975	620,188	16,564,653
Total Liabilities:			16,361,866	822,975	620,188	16,564,653

City of Cashmere
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Water and Waste Program Cluster							
Rural Utilities Service, Department of Agriculture/	ARRA - Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	WA-92-02	-	1,556,147	1,556,147	1, 3
	Total Water and Waste Program Cluster:			-	1,556,147	1,556,147	-
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation)	Highway Planning and Construction	20.205	STPR--04RM(004)	33,577	-	33,577	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation)	Highway Planning and Construction	20.205	STPR-R041(005)	20,421	-	20,421	1, 2
	Total Highway Planning and Construction Cluster:			53,998	-	53,998	-
	Total Federal Awards Expended:			53,998	1,556,147	1,610,145	-

The accompanying notes are an integral part of this schedule.

CITY OF CASHMERE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Cashmere's financial statements. The City of Cashmere uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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 of Cashmere's portion, are more than shown.

NOTE 3 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA.

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov