



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Goldendale

Klickitat County

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

Published September 19, 2016

Report No. 1017477





Washington State Auditor's Office

September 19, 2016

Mayor and City Council
City of Goldendale
Goldendale, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Goldendale'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 Goldendale
Klickitat County
January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Goldendale 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>
66.458	Clean Water State Revolving Fund Cluster – Capitalization Grants for Clean Water State Revolving Funds

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 Goldendale
Klickitat County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Goldendale
Goldendale, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Goldendale, Klickitat County, Washington, as of and for the 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 September 12, 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.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated September 12, 2016.

COMPLIANCE AND OTHER MATTERS

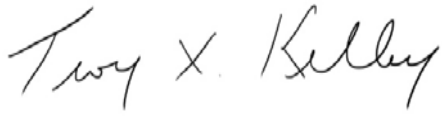
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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

September 12, 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 Goldendale
Klickitat County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Goldendale
Goldendale, Washington

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

We have audited the compliance of the City of Goldendale, Klickitat 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.

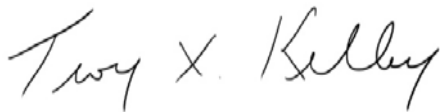
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 12, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Goldendale Klickitat County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Goldendale
Goldendale, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Goldendale, Klickitat County, Washington, for the 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 Goldendale 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 Goldendale, 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 Goldendale, 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.

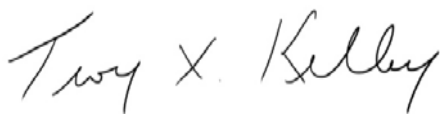
Other Matters

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 September 12, 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

September 12, 2016

FINANCIAL SECTION

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund
Beginning Cash and Investments				
30810	Reserved	497,986	115,104	-
30880	Unreserved	1,586,098	374,241	67,335
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	2,380,177	2,324,514	-
320	Licenses and Permits	48,841	44,771	2,070
330	Intergovernmental Revenues	905,840	97,166	767,670
340	Charges for Goods and Services	1,919,673	36,626	177
350	Fines and Penalties	40,485	30,268	-
360	Miscellaneous Revenues	84,580	35,245	35,000
Total Operating Revenues:		5,379,594	2,568,591	804,916
Operating Expenditures				
510	General Government	810,407	785,407	25,000
520	Public Safety	1,301,034	1,286,253	-
530	Utilities	1,195,746	-	-
540	Transportation	251,280	5,592	245,688
550	Natural and Economic Environment	78,134	22,239	-
560	Social Services	-	-	-
570	Culture and Recreation	104,820	104,820	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		3,741,420	2,204,311	270,688
Net Operating Increase (Decrease):		1,638,173	364,280	534,228
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	498,599	68,275	275,103
391-393	Debt Proceeds	2,183,882	2,449	-
397	Transfers-In	350,500	-	348,000
Total Nonoperating Revenues:		3,032,980	70,724	623,103
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	387,100	107,100	-
591-593	Debt Service	813,035	-	178,263
594-595	Capital Expenditures	3,620,566	137,358	964,378
597	Transfers-Out	350,500	350,500	-
Total Nonoperating Expenditures:		5,171,202	594,958	1,142,641
Net Increase (Decrease) in Cash and Investments:		(500,047)	(159,954)	14,690
Ending Cash and Investments				
5081000	Reserved	373,540	54,798	-
5088000	Unreserved	1,210,498	274,594	82,026
Total Ending Cash and Investments		1,584,038	329,391	82,026

The accompanying notes are an integral part of this statement.

108 Criminal Justice Prog.	109 Drug Enf./Investig.	110 Tourism Fund	401 Water/Sewer Fund
38,402	39,924	54,556	250,000
-	-	-	1,144,522
-	-	-	-
-	-	55,663	-
-	-	-	2,000
4,348	-	-	36,655
-	-	2,525	1,880,346
-	10,216	-	-
-	10,698	51	3,586
<u>4,348</u>	<u>20,914</u>	<u>58,238</u>	<u>1,922,587</u>
-	-	-	-
1,316	13,465	-	-
-	-	-	1,195,746
-	-	-	-
-	-	55,895	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,316</u>	<u>13,465</u>	<u>55,895</u>	<u>1,195,746</u>
<u>3,032</u>	<u>7,449</u>	<u>2,343</u>	<u>726,841</u>
-	-	-	155,221
-	-	-	2,181,432
2,500	-	-	-
<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,336,653</u>
-	-	-	280,000
-	-	-	634,772
43,514	35,951	-	2,439,366
-	-	-	-
<u>43,514</u>	<u>35,951</u>	<u>-</u>	<u>3,354,138</u>
(37,982)	(28,502)	2,343	(290,644)
421	11,422	56,899	250,000
-	-	-	853,878
<u>421</u>	<u>11,422</u>	<u>56,899</u>	<u>1,103,878</u>

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	650 Agency Suspense Fund
308	Beginning Cash and Investments	592	592
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	21,843	21,843
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	11,234	11,234
	Net Increase (Decrease) in Cash and Investments:	10,609	10,609
508	Ending Cash and Investments	11,201	11,201

The accompanying notes are an integral part of this statement.

CITY OF GOLDENDALE
NOTES TO FINANCIAL STATEMENTS
January 1, 2015 through December 31, 2015

MCAG NO. 0479

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Goldendale 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 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 classification 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 are the fund types used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) 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.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized only 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 Goldendale adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	\$ 2,804,600.00	\$ 2,799,268.40	\$ 5,331.60
City Street	\$ 2,971,000.00	\$ 1,413,328.39	\$ 1,557,671.61
CJ Programs	\$ 47,000.00	\$ 44,829.62	\$ 2,170.38
Drug Enf./Invest. Fund	\$ 55,000.00	\$ 49,416.37	\$ 5,583.63
Tourism Fund	\$ 56,000.00	\$ 55,894.94	\$ 105.06
Water/Sewer Fund	\$ 4,721,850.00	\$ 4,549,883.80	\$ 171,966.20
Agency Suspense	\$ 30,000.00	\$ 11,234.09	\$ 18,765.91
TOTAL	\$ 10,685,450.00	\$ 8,923,855.61	\$ 1,761,594.39

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

D. Cash and Investments

See Note 2, *Deposits and Investments*

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to a 240 hours balance at year end and is payable upon separation or retirement.

Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do receive a 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of interfund loans, sale of surplus property, property payments, insurance recoveries and capital contributions from the Water/Sewer Fund to the Street Fund for the sewer system's share of infrastructure improvements

I. Risk Management

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

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

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investment is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City. 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 consists of the following:

Fund	Ending Cash Amount	Description
Public Safety Reserve	\$ 51,034.18	Use of 40% of the Optional .5% Sales tax is restricted for capital purchases for Public Safety functions (Ordinance No. 1370)
Capital Improvement	\$ 3,763.37	The fund is used to receive monies collected by the State for Real Estate Excise Taxes. Spending this money is restricted by RCW 82.46
Criminal Justice Special Programs	\$ 421.17	Spending money collected here is restricted by RCW 82.14.330(2)(b)
Drug Enforcement and Investigation Fund	\$ 11,421.70	The fund was created to accumulate funds to offset the cost of drug enforcement and investigation. The fund is also used to collect forfeited properties.
Tourism Fund	\$ 56,899.23	Use of the funds received from lodging tax revenues is restricted by RCW 67.28.1815
Water/Sewer Fund	\$ 150,000.00	Reserve Requirement for Rural Development Revenue Bond (Ordinance No. 1397)
Water/Sewer Fund	\$ 100,000.00	Short-lived Asset reserve requirement for Rural Development Revenue Bond (Ordinance No. 1397)
Agency Suspense	\$ 11,200.71	Monies held for the State

The Public Safety Reserve Fund and the Capital Improvement Fund have been consolidated with the Current Expense Fund elsewhere in the Notes and the Financial Statements.

NOTE 2 – Deposits and Investments

It is the City'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 Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

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

<u>Type of Investment</u>	① City's own investments	② Investments held by City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$1,184,939.89	\$ _____	\$1,184,939.89
Total	<u>\$1,184,939.89</u>	<u>\$ _____</u>	<u>\$1,184,939.89</u>

NOTE 3 - 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 City of Goldendale. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for the year 2015 was \$3.1000000 per \$1,000 on an assessed valuation of \$298,860,840 for a total regular levy of \$926,468.60.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2015:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2015</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2015</u>
Current Expense	Water/Sewer	\$105,000	\$ -0-	\$ 105,000	\$ -0-
City Street	Water/Sewer	\$ -0-	\$ 230,000	\$ -0-	\$ 230,000
Parks	Water/Sewer	\$ -0-	\$ 50,000	\$ -0-	\$ 50,000
	TOTALS	<u>\$ 105,000</u>	<u>\$ 280,000</u>	<u>\$ 105,000</u>	<u>\$ 280,000</u>

NOTE 5 - DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding liabilities of the City of Goldendale 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 principal and interest, as follows:

General Obligation Bonds			
Year	Principal	Interest	Total
2016	117,106.65	38,876.10	155,982.75
2017	87,324.70	36,407.61	123,732.31
2018	100,309.71	31,684.82	131,994.53
2019	104,167.96	27,756.92	131,924.88
2020	108,195.01	23,660.20	131,855.21
2021-2025	501,435.09	51,284.14	552,719.23
2026-2030	18,576.65	208.98	18,785.63
2031-2035	0.00	0.00	0.00
2036-2040	0.00	0.00	0.00
2041-2045	0.00	0.00	0.00
2046-2050	0.00	0.00	0.00
TOTALS	1,037,115.77	209,878.77	1,246,994.54
Revenue and Other Debt			
Year	Principal	Interest	Total
2016	498,761.86	142,355.75	641,117.61
2017	427,579.79	196,818.23	624,398.02
2018	513,896.60	188,060.12	701,956.72
2019	520,564.66	177,582.48	698,147.14
2020	463,224.62	166,916.36	630,140.98
2021-2025	1,883,624.25	707,512.18	2,591,136.43
2026-2030	1,332,042.54	538,324.82	1,870,367.36
2031-2035	1,402,514.80	365,636.87	1,768,151.67
2036-2040	619,268.88	217,882.24	837,151.12
2041-2045	533,020.03	141,394.97	674,415.00
2046-2050	616,521.28	56,498.70	673,019.98
TOTALS	8,811,019.31	2,898,982.72	11,710,002.03

*When comparing the principal amount owed for revenue and other debt service, there will be a principal amount difference of \$485,211. The funding for the Little Klickitat River Sewer Collection System Project through the Department of Ecology is partially complete. Currently the Department of Ecology has authorized a loan in the amount of \$2,418,829 (the above schedule includes this current loan amount), but the city has only received \$1,933,618, for a difference of \$485,211. This amount will be resolved in 2016.

NOTE 6 - PENSION PLANS

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

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 Goldendale 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, 2014, the City'

	Allocation %	Liability (Asset)
PERS I	.007830%	409,582
PERS II AND III	.009830%	351,232
LEOFF I	.006697%	(80,714)
LEOFF II	.020822%	(214,009)

NOTE 7 - OTHER DISCLOSURES

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

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

1. In 2012, through the Washington Department of Health State Revolving Fund, the City was awarded a loan in the amount of \$1,349,663 for the replacement of our lower water reservoir. This project was bid in May of 2015 and construction completed in 2015. Final Closeout occurred in 2015.
2. Also in 2012, through the Public Works Board and the Washington Department of Ecology, the City was awarded two loans in the amounts of \$256,000 and \$2,353,000, respectively. In accordance with section S11 of the City's NPDES Permit from the Department of Ecology, the replacement of the collection system within the City's flood plain will meet the requirement of this permit. This project is the number one priority to control infiltration and inflow into the City's sewer collection system and is known as the Little Klickitat River Sewer Collection System Improvement Project. Initial preliminary planning and environmental work began in 2012 and continued through 2015. Due to a

recommended realignment of the replacement sewer main line, several easements were required. The realignment should result in better access to the manholes and lower construction costs. Work on obtaining the required easements and an extended environmental review continued through 2013 and 2015. Construction began in April of 2015. Final closeout will occur in 2016.

3. In 2013, the City was awarded a 90% grant from the Transportation Improvement Board in the amount of approximately \$660,000 to reconstruct the 3rd and King Street interchange. Preparation of plans and specifications are underway. Bidding and construction of this project occurred in May of 2015. Construction is scheduled to begin in July.
4. The City has approvals from several outside funders for a grant/loan package to construct a comprehensive neighborhood improvement project on the west side of the City. The most recent funding scenario is a funding package that will include a CDBG grant, a General Obligation Bond, a grant/loan package from Rural Development and City matching money. Total project costs are estimated to be about \$2.5 million dollars. The project was bid in May of 2015. Due to the higher than expected bids, the bids were rejected. Rebidding of the project is scheduled for early 2016.

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF I. These benefits include medical, prescription, dental, vision and long-term care. Four (4) retirees received benefits during the year and \$38,330.85 was paid out for those benefits during the year

LITIGATION

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

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

This case was settled in 2015.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	CERB Ind Park Infrastructure	1/27/2023	231,026	-	22,741	208,285
251.11	North Columbus Road Imp	12/1/2016	66,658	-	33,334	33,324
251.11	East Cent Neighborhood Imp	12/1/2025	760,272	-	57,648	702,624
251.11	Baker St Bldg Energy Imp	7/1/2026	90,434	2,449	-	92,883
Total General Obligation Debt/Liabilities:			1,148,390	2,449	113,723	1,037,116
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	PWTF-East Collins Pre-Const	6/30/2024	31,654	-	3,165	28,489
252.11	PWTF-East Collins Const	6/30/2024	477,284	-	43,389	433,895
263.82	PWTF Water Transmission	6/30/2019	320,984	-	64,197	256,787
263.82	PWTF Chi Well Drought Rlf	6/30/2022	155,789	-	19,474	136,315
263.82	PWTF Chi Well Const	10/1/2024	475,451	-	47,545	427,906
263.82	PWTF Chi Well Const II	10/1/2026	112,553	-	9,379	103,174
263.82	FMAH 2010 Bond	10/26/2050	2,944,318	-	46,553	2,897,765
263.82	LOCAL-AMR System	12/1/2016	178,664	-	88,012	90,652
263.82	DOE-WWTP Design	5/29/2021	203,492	-	28,000	175,492
263.82	DOE-WWTP Construction	12/31/2022	634,797	-	75,262	559,535
263.82	Lower Reservoir Replacement	10/1/2034	898,378	451,285	67,483	1,282,180
259.12	Compensated Absences - 2015		59,637	1,393	-	61,030
263.82	DOE LKR Sewer Collection	3/1/2035	216,833	1,716,785	-	1,933,618
259.12	General Compensated Absences 2015		141,338	-	21,771	119,567
264.30	Pension Liabilities		-	760,813	-	760,813
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,851,172	2,930,276	514,230	9,267,218
Total Liabilities:			7,999,562	2,932,725	627,953	10,304,334

City of Goldendale
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development	14.228	13-65400-022	-	155,193	155,193	-	2
	Block Grants/State's program and Non- Entitlement Grants in Hawaii							
Clean Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1300022	-	2,116,310	2,116,310	-	3
	Total Clean Water State Revolving Fund Cluster:			-	2,116,310	2,116,310	-	
Department Of Energy	Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	F11-52110-004	-	1,106	1,106	-	
	Total Federal Awards Expended:			-	2,272,609	2,272,609	-	

The accompanying notes are an integral part of this schedule.

CITY OF GOLDENDALE

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 Goldendale financial statements. The City of Goldendale uses a 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 of Goldendale portion, are more than shown.

The City of Goldendale was awarded grant funding, in the amount of \$750,000 to apply to a street, storm drainage, curb and sidewalk improvement project named the West Columbus Neighborhood Improvement Project. This funding will cover about 50% of the total project costs, with the other 50% coming from a G. O. Bond and City Match. In 2015, expenditures related to this project totaled \$155,193.

NOTE 3 - FEDERAL LOANS

The City of Goldendale was approved by the EPA and the PWB to receive a loan totaling \$2,412,185 to improve the city's sewer collection system. This project is called the Little Klickitat River Sewer Collection System Improvement Project. The funding sources for this project are loans through the Department of Ecology in the initial amount of \$2,412,185 and the Public Works Board in the amount of \$256,000. A City match of 10% (in the amount of \$289,600 is built into the funding package, for a total project cost of \$2,957,785). Prior to 2015, expenses totaled \$275,573. In 2015, expenses totaled \$2,331,405, of which, \$2,116,310 is attributed to the Federal funding portion of this project.

Both the current and prior year loans are also reported on the City of Goldendale Schedule of Long-Term Liabilities.

NOTE 4 – INDIRECT COST RATE

The City of Goldendale has elected to use the ten-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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