



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Grandview

Yakima County

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

Published September 22, 2016

Report No. 1017531





Washington State Auditor's Office

September 22, 2016

Mayor and City Council
City of Grandview
Grandview, Washington

Report on Financial Statements and Federal Single Audit

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Grandview 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> |
|-----------------|---|
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii |

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 Grandview
Yakima County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Grandview
Grandview, 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 Grandview, Yakima 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 16, 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

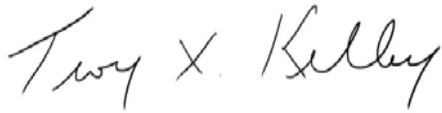
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

September 16, 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 Grandview
Yakima County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Grandview
Grandview, Washington

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

We have audited the compliance of the City of Grandview, Yakima 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.

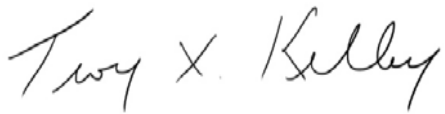
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 16, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Grandview Yakima County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Grandview
Grandview, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Grandview, Yakima 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 16.

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 Grandview 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 Grandview, 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 Grandview, 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

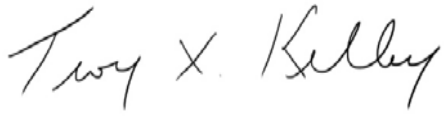
Supplementary and Other Information

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 16, 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.

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TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 16, 2016

FINANCIAL SECTION

**City of Grandview
Yakima 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 Grandview
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 | 105 Emergency Medical Services |
|---|-------------------------------------|--|-------------------------------------|---|
| Beginning Cash and Investments | | | | |
| 30810 | Reserved | 1,097,500 | - | 55,000 |
| 30880 | Unreserved | 9,830,493 | 1,765,416 | 111,758 |
| 388 & 588 | Prior Period Adjustments, Net | - | - | - |
| Operating Revenues | | | | |
| 310 | Taxes | 6,229,972 | 4,282,439 | 120,106 |
| 320 | Licenses and Permits | 151,917 | 151,917 | - |
| 330 | Intergovernmental Revenues | 2,102,189 | 370,967 | 7,852 |
| 340 | Charges for Goods and Services | 6,892,442 | 164,105 | - |
| 350 | Fines and Penalties | 191,945 | 191,945 | - |
| 360 | Miscellaneous Revenues | 338,490 | 121,318 | 210 |
| Total Operating Revenues: | | 15,906,955 | 5,282,692 | 128,167 |
| Operating Expenditures | | | | |
| 510 | General Government | 860,783 | 860,783 | - |
| 520 | Public Safety | 3,459,288 | 3,097,466 | 105,035 |
| 530 | Utilities | 4,873,086 | - | - |
| 540 | Transportation | 765,493 | - | - |
| 550 | Natural and Economic Environment | 137,511 | 137,511 | - |
| 560 | Social Services | 14,232 | 14,232 | - |
| 570 | Culture and Recreation | 670,563 | 670,563 | - |
| 598 | Miscellaneous Expenses | - | - | - |
| Total Operating Expenditures: | | 10,780,955 | 4,780,554 | 105,035 |
| Net Operating Increase (Decrease): | | 5,125,999 | 502,137 | 23,132 |
| Nonoperating Revenues | | | | |
| 370-380, 395 & 398 | Other Financing Sources | 306,391 | 281,335 | - |
| 391-393 | Debt Proceeds | 5,862,715 | - | - |
| 397 | Transfers-In | 275,000 | - | - |
| Total Nonoperating Revenues: | | 6,444,106 | 281,335 | - |
| Nonoperating Expenditures | | | | |
| 580, 596 & 599 | Other Financing Uses | 2,324,425 | 326,800 | - |
| 591-593 | Debt Service | 4,768,383 | 52,650 | - |
| 594-595 | Capital Expenditures | 3,087,359 | 32,248 | - |
| 597 | Transfers-Out | 275,000 | 275,000 | - |
| Total Nonoperating Expenditures: | | 10,455,167 | 686,698 | - |
| Net Increase (Decrease) in Cash and Investments: | | 1,114,938 | 96,774 | 23,132 |
| Ending Cash and Investments | | | | |
| 5081000 | Reserved | 689,494 | - | - |
| 5088000 | Unreserved | 11,353,438 | 1,862,191 | 189,890 |
| Total Ending Cash and Investments | | 12,042,932 | 1,862,191 | 189,890 |

The accompanying notes are an integral part of this statement.

| 106 Yakima Cnty Law & Justice Tax | 110 Street Fund | 130 Cemetery Fund | 301 Capital Improvements Fund | 320 CDBG | 325 EWC Plaza - SIED Loan |
|--|------------------------|------------------------------|--|-----------------|--------------------------------------|
| - | - | - | 121,110 | - | - |
| 154,352 | 133,148 | 63,041 | 333,891 | - | - |
| - | - | - | - | - | - |
| 281,113 | 243,341 | 65,515 | 112,990 | - | - |
| - | - | - | - | - | - |
| - | 512,020 | - | - | 712,500 | 498,850 |
| - | - | 84,785 | - | - | - |
| - | - | - | - | - | - |
| 200 | 123,392 | 8,623 | 3,555 | - | 280 |
| 281,314 | 878,753 | 158,923 | 116,545 | 712,500 | 499,130 |
| - | - | - | - | - | - |
| 256,786 | - | - | - | - | - |
| - | - | 152,632 | - | - | - |
| - | 490,693 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 256,786 | 490,693 | 152,632 | - | - | - |
| 24,528 | 388,060 | 6,291 | 116,545 | 712,500 | 499,130 |
| - | - | 9,929 | - | - | - |
| - | - | - | - | - | 498,850 |
| - | 270,000 | - | 5,000 | - | - |
| - | 270,000 | 9,929 | 5,000 | - | 498,850 |
| - | - | 1,725 | - | - | - |
| - | - | - | - | - | - |
| 46,106 | 453,655 | - | 228,827 | 708,994 | 983,146 |
| - | - | - | - | - | - |
| 46,106 | 453,655 | 1,725 | 228,827 | 708,994 | 983,146 |
| (21,578) | 204,405 | 14,495 | (107,282) | 3,506 | 14,834 |
| - | - | - | 121,110 | - | - |
| 132,774 | 337,553 | 77,537 | 226,609 | 3,506 | 14,834 |
| 132,774 | 337,553 | 77,537 | 347,719 | 3,506 | 14,834 |

The accompanying notes are an integral part of this statement.

| 410 Water/Sewer Fund | 420 Irrigation Fund | 430 Solid Waste Fund | 510 Equipment Rental Fund | 710 Cemetery Endowment Fund |
|---------------------------------|--------------------------------|---------------------------------|--------------------------------------|--|
| 563,220 | - | - | - | 358,170 |
| 4,447,970 | 252,014 | 380,782 | 2,188,119 | - |
| - | - | - | - | - |
| 815,125 | - | 309,343 | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 4,909,078 | 446,197 | 762,653 | 523,450 | 2,173 |
| - | - | - | - | - |
| 42,631 | 252 | 4,439 | 33,590 | - |
| 5,766,833 | 446,449 | 1,076,435 | 557,040 | 2,173 |
| - | - | - | - | - |
| - | - | - | - | - |
| 3,226,104 | 448,363 | 1,045,987 | - | - |
| - | - | - | 274,800 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 3,226,104 | 448,363 | 1,045,987 | 274,800 | - |
| 2,540,729 | (1,914) | 30,448 | 282,240 | 2,173 |
| 15,126 | - | - | - | - |
| 5,363,865 | - | - | - | - |
| - | - | - | - | - |
| 5,378,991 | - | - | - | - |
| 1,995,900 | - | - | - | - |
| 4,715,733 | - | - | - | - |
| 278,882 | 2,867 | - | 352,634 | - |
| - | - | - | - | - |
| 6,990,514 | 2,867 | - | 352,634 | - |
| 929,205 | (4,781) | 30,448 | (70,394) | 2,173 |
| 208,041 | - | - | - | 360,343 |
| 5,732,355 | 247,234 | 411,230 | 2,117,726 | - |
| 5,940,396 | 247,234 | 411,230 | 2,117,726 | 360,343 |

The accompanying notes are an integral part of this statement.

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

| | | Total for All Funds (Memo Only) | 605 Library Trust Fund | 621 Library Memorial Trust Fund | 630 Transportation Benefit District |
|--|---------------------------------------|--|-----------------------------------|--|--|
| 308 | Beginning Cash and Investments | 293,004 | 68,858 | 3,973 | 220,173 |
| 388 & 588 | Prior Period Adjustments, Net | - | - | - | - |
| 310-360 | Revenues | 43,983 | 99 | 2,897 | 40,987 |
| 380-390 | Other Increases and Financing Sources | - | - | - | - |
| 510-570 | Expenditures | 263,160 | 2,000 | - | 261,160 |
| 580-590 | Other Decreases and Financing Uses | 2,529 | 20 | 2,509 | - |
| Net Increase (Decrease) in Cash and Investments: | | (221,706) | (1,921) | 388 | (220,173) |
| 508 | Ending Cash and Investments | 71,297 | 66,936 | 4,361 | - |

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grandview was incorporated on September 21, 1909 and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a mayor-council form of government. The City is a general-purpose government and provides public safety, fire prevention, street improvement, parks and recreation, health and social services, and general administrative services. In addition, the City owns and operates water and sewer systems, an irrigation water system, refuse collection system, and cemetery.

The City of Grandview reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. 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

The accounts of the city are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The city's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the city:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City. These funds include enterprise operations, which under generally accepted accounting principles would be accounted for as proprietary fund.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest, and related costs on general long-term debt.

Capital Projects Funds

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

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 City on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

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

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 for assets that the City holds for others in an agency capacity.

B. Basis of Accounting

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

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The city adopts annual appropriated budgets for the Current Expense, Emergency Medical Services, Yakima County 3/10% Law & Justice Tax, Street, Cemetery, Capital Improvement, Water/Sewer, Irrigation, Solid Waste, W/S Revenue Bond Redemption, Equipment Rental and TBD funds. In 2015, the City also adopted budgets for two projects. These were, East 4th Street which was funded by a Community Development Block Grant (CDBG) and East Wine Country Plaza which was funded by a Supporting Investments in Economic Diversification (SIED) loan and grant. Budgets are appropriated at the fund 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 | Final Appropriated Amounts | Actual Expenditures | Variance |
|----------------------------------|---|--------------------------------|-----------------|
| Current Expense | \$ 5,608,825 | \$ 5,185,333 | \$ 423,492 |
| E.M.S. | \$ 135,650 | \$ 105,035 | \$ 30,615 |
| Yakima Co. 3/10% L. & J. Tax | \$ 317,950 | \$ 302,892 | \$ 15,058 |
| Street | \$ 1,095,080 | \$ 944,348 | \$ 150,732 |
| Cemetery | \$ 148,680 | \$ 152,632 | \$ (3,952) |
| Capital Improvement | \$ 336,500 | \$ 228,827 | \$ 107,673 |
| CDBG – E. 4 th Street | \$ 750,000 | \$ 708,994 | \$ 41,006 |
| EWC Plaza | \$ 997,700 | \$ 983,146 | \$ 14,554 |
| Water/Sewer | \$ 8,443,575 | \$ 8,184,923 | \$ 258,652 |
| Irrigation | \$ 480,700 | \$ 451,229 | \$ 29,471 |
| Solid Waste | \$ 1,073,435 | \$ 1,045,987 | \$ 27,448 |
| W/S Rev. Bond Redemption | \$ 543,020 | \$ 500,791 | \$ 42,229 |
| Equipment Rental | \$ 665,770 | \$ 627,433 | \$ 38,337 |
| Transportation Benefit District | \$ 275,410 | \$ 261,160 | \$ 14,250 |
| Totals | \$ 20,872,295 | \$ 19,682,730 | \$ 1,189,565 |

The Current Expense, Cemetery and Water/Sewer funds do not include non-expenditures that are reimbursed. The Water/Sewer fund also does not include the closing costs expenditures from the refunding of the 2005 W/S Revenue Bond because they were off-set by revenues with the same amount.

The City Administrator is authorized to transfer budgeted amounts 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 Council.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

D. Cash

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

Within the cash and investments of the city are some restricted assets. These are composed of the following:

| | |
|--|-------------|
| Cash and Investments - Debt Service | \$ 349,443 |
| Cash and Investments - Capital Improvements | \$ 347,719 |
| Cash and Investments - Cemetery Perpetual Care | \$ 360,343 |
| Cash and Investments - Equipment Replacement | \$2,117,731 |
| Cash and Investments - Library Trust | \$ 71,298 |

E. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington State Public Deposit Protection Commission.

F. Investments - See Note 3

G. Capital Assets

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

H. Compensated Absences

Vacation leave may be accumulated up to 20 days, plus one day for each year of service over 20 years. Upon resignation or termination of employment, unused accumulated vacation is payable to the employee.

Sick leave may accumulate up to 1,800 hours for non-union and Police Department personnel. Upon separation or retirement employees hired prior to 1/1/2007 receive payment for 50% of unused sick leave. Employees hired after 1/1/2007 receive 25% of unused sick leave.

I. Long-Term Debt - See Note 6

J. Other Financing Sources Or Uses

The City's "Other Financing Sources or Uses" consist of Transfers-In, Transfers-Out, non-revenues, non-expenditures, proceeds from the issuance of long-term debt and Capital leases.

K. Risk Management

The city of Grandview 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.

L. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserve when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. 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 \$760,791.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions. The Cemetery Fund was over budget due to increased supplies and outside staffing services. However, this was offset by increased revenue from the sale of lots and funeral services.

NOTE 3 – INVESTMENTS

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

Investments are presented at cost.

Investments by type at December 31, 2015 are as follows:

| Type of Investment | Balance |
|--------------------------------------|------------------|
| Local Government Investment Pool | \$ 6,763,815.85 |
| Municipal Bonds | 2,174,970.88 |
| U.S. Government Securities | 2,489,776.47 |
| US Bank Municipal Investor's Account | 350,000.00 |
| Total | \$ 11,778,563.20 |

In 2015, a Municipal Bond from Pend Oreille County matured and the City purchased two Government Securities, Federal Farm Credit with a maturity in February 2018 and Fannie Mae with a maturity in January 2020.

NOTE 4 - PROPERTY TAXES

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

Property Tax Calendar

| | |
|-------------|---|
| January 1 | Taxes are levied and become an enforceable lien against properties. |
| February 14 | Tax bills are mailed. |
| April 30 | First of two equal installment payments is due. |
| May 31 | Assessed value of property established for next year's levy at 100 percent of market value. |
| October 31 | Second installment is due. |

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

The City's regular levy for 2015 was \$3.357 per \$1,000 on an assessed valuation of \$436,107,256 for a total regular levy of \$1,463,907.

In addition to the regular levy, the City received Excess Levy property taxes from the County. These taxes were voted and approved by the voters on a county-wide basis for Emergency Medical Services. The levy rate in 2015 was \$0.24814391 per \$1,000 on an assessed valuation of \$436,107,256 for a total E.M.S. excess levy of \$108,217.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The city had no interfund loans or advances during 2015.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the City and summarizes the City's debt transactions for 2015. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

| Year | General Obligation Bonded Debt | General Obligation Other Debt | Revenue Bonded Debt | Revenue Other Debt | Total Debt |
|-----------|--------------------------------------|-------------------------------------|------------------------|--------------------------|---------------|
| 2015 | 0.00 | 81,148.80 | 500,791.12 | 454,459.09 | 1,036,399.01 |
| 2016 | 0.00 | 85,398.80 | 423,300.00 | 597,917.83 | 1,069,136.81 |
| 2017 | 0.00 | 84,198.80 | 420,700.00 | 413,187.43 | 918,086.23 |
| 2018 | 0.00 | 82,998.80 | 424,150.00 | 411,515.89 | 918,664.69 |
| 2019 | 0.00 | 81,798.90 | 417,150.00 | 409,844.34 | 908,793.24 |
| 2020-2024 | 0.00 | 279,150.00 | 0.00 | 1,751,159.47 | 2,030,309.47 |
| 2025-2029 | 0.00 | 274,000.00 | 0.00 | 913,431.29 | 1,187,431.29 |
| 2030-2034 | 0.00 | 111,400.00 | 0.00 | 776,490.00 | 887,890.00 |
| 2035-2039 | 0.00 | 0.00 | 0.00 | 776,490.00 | 776,490.00 |
| 2040-2044 | 0.00 | 0.00 | 0.00 | 776,490.00 | 776,490.00 |
| 2045-2049 | 0.00 | 0.00 | 0.00 | 775,364.37 | 775,364.37 |
| 2050-2054 | 0.00 | 0.00 | 0.00 | 668,490.00 | 668,490.00 |
| 2055-2059 | 0.00 | 0.00 | 0.00 | 133,698.00 | 133,698.00 |
| Totals | 0.00 | 1,080,094.10 | 2,186,091.12 | 8,858,537.71 | 12,124,722.93 |

At December 31, 2015, restricted assets in proprietary funds contain \$349,443 in sinking funds and reserves as required by bond indentures.

Included on Schedule 09 in 2015 are the Long-Term Liabilities of Compensated Absences. Outstanding compensating absences are those amounts due to employees to buy-out vested leave balances if employment had been discontinued at fiscal year-end. Included in the 2015 schedule is the city's liability to the Department of Retirement Systems and Social Security/Medicare. The City of Grandview has policies in place that provide for buy-out of accrued and unused vacation and sick leave time. The liability to Government Funds on 12/31/2015 is \$392,954. The Proprietary Funds liability is \$234,496.

Debt Refunding

The City issued \$1,995,000 of revenue refunding bonds to retire \$2,355,000 of existing bonds. This refunding was undertaken to reduce total debt service payments over the next four years by \$172,750. The financial statements reflect other financing sources of \$2,060,040.85 and other financing uses of \$2,415,219.78 pertaining to this transaction.

NOTE 7 – STATE SPONSORED PENSION PLANS

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

Public Employees' Retirement System (PERS)
Public Safety Employees' Retirement System (PSERS)
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

The Department of Retirement Systems (DRS), 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
P.O. Box 48380
Olympia, WA 98540-8380

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

The City of Grandview 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 Grandview's proportionate share of the collective net pension liabilities*, as reported on Schedule 9, was as follows:

| | Allocation % | Liability (Asset) |
|--------------------|--------------|-------------------|
| PERS 1 | 0.003182 | \$166,448 |
| PERS 1 UAAL | 0.014314 | \$748,755 |
| PERS 2/3 | 0.017976 | \$642,293 |
| PSERS 2 | 0.015350 | \$2,802 |
| LEOFF 1 | 0.013781 | (\$166,092) |
| LEOFF 2 | 0.044661 | (\$459,026) |
| VFFRPF - Fire | 0.385615 | (\$74,312) |
| VFFRPF - Police | 0.139940 | (\$26,968) |

LEOFF Plan 1

The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 8 - DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans (DCP) created in accordance with Internal Revenue Codes. One plan is with ICMA Retirement Trust. The second plan offered is through the Washington State Department of Retirement Systems (DRS). The DRS administers the Washington State DCP and contracts with a third party (currently ING) for record keeping and other administrative services. The Washington State Investment Board selects and monitors the state DCP's investment options. These plans are available to all employees. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 9 - OTHER DISCLOSURES

CLOSURE AND POST CLOSURE CARE COSTS

The City of Grandview operated a landfill facility that is now 100% of capacity and currently in the closure process. The facility has final cover on all cells. The City received a letter from Yakima Health District on November 19, 2015 that the Grandview Landfill was now closed in accordance with WAC 173-351.

TRANSPORTATION BENEFIT DISTRICT

The City of Grandview created the Grandview Transportation Benefit District (TBD) in 2011. Collection of license tab fees began in 2012. The total fees collected in 2015 were \$161,627. Collection of license tab fees began in 2012. The total fees collected in 2014 were \$154,556. Revenues from the license tab fees will be used for planned and defined transportation system purposes.

The Grandview City Council acted as the board of directors of the Grandview TBD until December 31, 2015. Ordinance No. 2015-19 was passed and the City of Grandview assumed all rights, powers, immunities, functions and obligations of the Grandview TBD, pursuant to the authority of Second Engrossed Substitute Senate Bill 5987 (2ESSB 5987), abolishing the Grandview TBD and repealing Section 2 of Ordinance No. 2011-9.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The city has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include medical, vision and long term care. Seven retirees received benefits during the year and \$73,758 was paid out for those benefits during the year.

AWC HEALTH INSURANCE

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

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

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

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

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

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

| <u>ID. No.</u> | <u>Description</u> | <u>Due Date</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|--|-----------------|--------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 263.51 | Wa.St.Treas. L.O.C.A.L | 12/1/2031 | 660,000 | - | 25,000 | 635,000 |
| 263.81 | Yakima County SIED Loan | 6/1/2019 | 132,629 | - | 25,263 | 107,366 |
| 263.81 | Yakima County SIED Loan | 6/1/2025 | - | 498,850 | - | 498,850 |
| Total General Obligation Debt/Liabilities: | | | 792,629 | 498,850 | 50,263 | 1,241,216 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 263.82 | P.W.T.F. Loan WWTP Imp. | 6/1/2016 | 475,011 | - | 237,505 | 237,506 |
| 263.82 | P.W.T.F. Loan Well Rehab | 6/1/2019 | 135,686 | - | 27,137 | 108,549 |
| 263.82 | D.W.St.R.F. Loan Well Rehab | 10/1/2023 | 1,260,154 | - | 140,017 | 1,120,137 |
| 263.82 | D.W.St.R.F. Loan OIE Water Imp. | 12/31/2037 | 42,070 | 47,402 | - | 89,472 |
| 252.11 | 2005 Rev. Bonds WWTP Imp. | 6/17/2015 | 2,355,000 | - | 2,355,000 | - |
| 263.62 | USDA Promisory Note - Water Improvements | 11/16/2049 | 439,369 | - | 6,772 | 432,597 |
| 263.62 | USDA Promisory Note - WWPF | 2/13/2015 | 3,256,422 | - | 3,256,422 | - |
| 259.12 | Compensated Absences | | 550,947 | 76,503 | - | 627,450 |
| 264.30 | Net Pension Liability | | - | 1,560,298 | - | 1,560,298 |
| 263.62 | USDA Promisory Note - WWPF | 2/13/2055 | - | 3,256,422 | - | 3,256,422 |
| 252.11 | 2015 Rev. Bonds WWTP Imp. | 11/1/2019 | - | 1,995,000 | 425,000 | 1,570,000 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 8,514,659 | 6,935,625 | 6,447,853 | 9,002,431 |
| Total Liabilities: | | | 9,307,288 | 7,434,475 | 6,498,116 | 10,243,647 |

City of Grandview
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 | |
| Forest Service, Department Of Agriculture (via Department of Natural Resources) | Cooperative Forestry Assistance | 10.664 | N/A | 500 | - | 500 | 1,2 |
| Office Of Community Planning And Development, Department Of Housing And Urban Development (via Department of Commerce) | Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii | 14.228 | 14-65400-021 | 712,500 | - | 712,500 | 1,2 |
| US Department of Justice, Washington State Patrol (via Yakima County Sheriff's Office) | Domestic Cannabis Eradication/Suppression | 16.000 | K10951 | 3,703 | - | 3,703 | 1,2 |
| Bureau Of Justice Assistance, Department Of Justice (via Yakima County Sheriff's Office) | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | M15-31440-019 | 26,657 | - | 26,657 | 1,2 |
| Highway Planning and Construction Cluster | | | | | | | |
| Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation) | Highway Planning and Construction | 20.205 | STPUS- 8052(003) | 14,834 | - | 14,834 | 1,2 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation) | Highway Planning and Construction | 20.205 | TAP-8054(004) | 253,016 | - | 253,016 | 1,2 |
| Total Highway Planning and Construction Cluster: | | | | 267,850 | - | 267,850 | - |
| Highway Safety Cluster | | | | | | | |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 9,543 | - | 9,543 | 1,2 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission) | National Priority Safety Programs | 20.616 | N/A | 4,135 | - | 4,135 | 1,2 |
| Total Highway Safety Cluster: | | | | 13,678 | - | 13,678 | - |
| Drinking Water State Revolving Fund Cluster | | | | | | | |

| | | | | | | | | |
|--|--|--------|--------------|------------------|----------|------------------|----------|---------------|
| Office Of Water, Environmental Protection Agency (via Department of Commerce) | Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DM13-952-158 | 40,654 | - | 40,654 | - | 1,2,3(a)) |
| | Total Drinking Water State Revolving Fund Cluster: | | | 40,654 | - | 40,654 | - | |
| Executive Office Of The President (via Northwest HJDTA/Yakima County Sheriff's Office) | High Intensity Drug Trafficking Areas Program | 95.001 | G15NW0006A | 10,326 | - | 10,326 | - | 1,2 |
| | Total Federal Awards Expended: | | | 1,075,868 | - | 1,075,868 | - | |

YAKIMA COUNTY, WASHINGTON
CITY OF GRANDVIEW

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's financial statements. The City uses the single-entry, cash basis form of accounting. In governmental and fiduciary funds, revenues are recognized only when received in cash, rather than when measurable and available, and expenditures are recognized when checks are issued rather than when the expenditures are incurred. Purchases of fixed assets are expensed during the year acquired, but no general fixed assets account group is established. This prescribed accounting system also permits the City to account for certain enterprise funds on the cash basis of accounting rather than on the full accrual basis, which is a departure from generally accepted accounting principles. For such funds, this results in no capitalization of fixed assets, no allocation of depreciation expense and inventory is expensed when purchased rather than consumed.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant or loan portion of the program costs. Entire program costs, including the City's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - FEDERAL LOANS

- (a) The City was approved by the EPA and the PWB to receive a loan totaling \$909,909.00 to improve its drinking water system. The amount listed for the loan includes the proceeds received during the year.

Both the current and prior year loans are also reported on the City's Schedule of Liabilities.

NOTE 4 – INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under 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 | |
|---|--|
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