



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Union Gap

Yakima County

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

Published September 26, 2016

Report No. 1017539





Washington State Auditor's Office

September 26, 2016

Mayor and City Council
City of Union Gap
Union Gap, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Union Gap'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 Union Gap
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 Union Gap 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>
66.468	Capitalization Grants for Drinking 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 Union Gap
Yakima County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Union Gap
Union Gap, 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 Union Gap, 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 19, 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

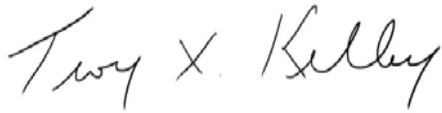
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 19, 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 Union Gap
Yakima County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Union Gap
Union Gap, Washington

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

We have audited the compliance of the City of Union Gap, 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.

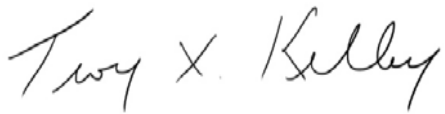
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 19, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Union Gap Yakima County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Union Gap
Union Gap, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Union Gap, 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 Union Gap 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 Union Gap, 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 Union Gap, 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

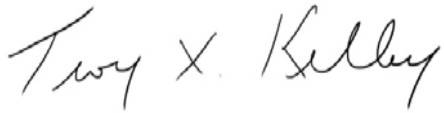
Supplementary and Other Information

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 19, 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.

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 19, 2016

FINANCIAL SECTION

**City of Union Gap
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 Union Gap
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	7,596,994	16,837	383,178
30880	Unreserved	2,922,475	1,360,663	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	8,581,140	6,012,593	593,410
320	Licenses and Permits	102,002	101,682	20
330	Intergovernmental Revenues	705,459	90,604	129,870
340	Charges for Goods and Services	4,293,582	424,978	127
350	Fines and Penalties	184,912	173,534	-
360	Miscellaneous Revenues	264,117	82,401	787
Total Operating Revenues:		14,131,212	6,885,792	724,214
Operating Expenditures				
510	General Government	1,663,507	1,663,507	-
520	Public Safety	4,051,352	4,009,286	-
530	Utilities	3,417,314	-	-
540	Transportation	1,139,346	-	621,590
550	Natural and Economic Environment	369,727	190,413	-
560	Social Services	1,413	1,413	-
570	Culture and Recreation	447,381	386,336	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		11,090,040	6,250,955	621,590
Net Operating Increase (Decrease):		3,041,172	634,837	102,624
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	318,565	185,076	-
391-393	Debt Proceeds	2,754,908	13,660	-
397	Transfers-In	725,199	826	-
Total Nonoperating Revenues:		3,798,672	199,562	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	220,369	163,152	-
591-593	Debt Service	504,245	-	-
594-595	Capital Expenditures	2,612,650	36,479	648
597	Transfers-Out	725,199	515,336	20,000
Total Nonoperating Expenditures:		4,062,463	714,967	20,648
Net Increase (Decrease) in Cash and Investments:		2,777,381	119,432	81,976
Ending Cash and Investments				
5081000	Reserved	10,192,422	30,654	465,154
5088000	Unreserved	3,104,429	1,466,268	-
Total Ending Cash and Investments		13,296,851	1,496,922	465,154

The accompanying notes are an integral part of this statement.

107 Convention Center Reserve Fund	108 Tourism Promotion Area Fund	123 Criminal Justice Fund	126 Crime Prevention Assessment Fund	128 Transit System Fund	130 Community Policing Fund
175,010	35,412	209,835	25,938	2,240,681	13,457
-	-	-	-	-	-
-	-	-	-	-	-
173,187	-	239,174	-	1,016,908	-
-	-	-	-	-	-
-	-	18,958	-	10,672	-
-	111,548	-	-	-	-
-	-	-	4,312	-	-
722	133	441	44	4,009	3,659
173,909	111,681	258,573	4,356	1,031,589	3,659
-	-	-	-	-	-
-	-	29,393	-	-	8,042
-	-	-	-	-	-
-	-	-	-	517,751	-
99,505	77,799	-	-	-	-
-	-	-	-	-	-
53,262	-	-	-	-	-
-	-	-	-	-	-
152,767	77,799	29,393	-	517,751	8,042
21,142	33,882	229,180	4,356	513,838	(4,383)
-	-	-	-	31,504	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	31,504	-
-	-	31,504	-	-	-
-	-	105	-	-	-
1,852	-	56,018	-	-	-
-	-	-	-	67,500	-
1,852	-	87,627	-	67,500	-
19,290	33,882	141,553	4,356	477,842	(4,383)
194,300	69,294	351,388	30,294	2,718,524	9,075
-	-	-	-	-	-
194,300	69,294	351,388	30,294	2,718,524	9,075

The accompanying notes are an integral part of this statement.

131 Drug Seizure Forfeiture Fund	170 Housing Rehabilitation Fund	213 1993 G.O. Bond Redemption Fund	304 VMB Phase IV Fund	306 Park Development Reserve Fund	312 Public Works Equipment Reserve Fund
7,195	120,809	374	560,786	25,331	463,015
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	46,861	-
-	-	-	-	-	-
-	-	-	-	-	-
275	9,570	-	745	14,871	791
<u>275</u>	<u>9,570</u>	<u>-</u>	<u>745</u>	<u>61,732</u>	<u>791</u>
-	-	-	-	-	-
4,631	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,010	-	-	-	-
-	-	-	-	-	-
-	-	-	-	7,783	-
-	-	-	-	-	-
<u>4,631</u>	<u>2,010</u>	<u>-</u>	<u>-</u>	<u>7,783</u>	<u>-</u>
<u>(4,356)</u>	<u>7,560</u>	<u>-</u>	<u>745</u>	<u>53,949</u>	<u>791</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	61,639	62,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,639</u>	<u>62,500</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,598	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,598</u>	<u>-</u>
<u>(4,356)</u>	<u>7,560</u>	<u>-</u>	<u>745</u>	<u>111,990</u>	<u>63,291</u>
2,839	128,370	374	561,532	137,323	526,307
-	-	-	-	-	-
<u>2,839</u>	<u>128,370</u>	<u>374</u>	<u>561,532</u>	<u>137,323</u>	<u>526,307</u>

The accompanying notes are an integral part of this statement.

313 Fire Truck Reserve Fund	315 Police Vehicle Reserve Fund	316 City Hall Building Reserve Fund	Capital Improvement Fund	320 City Hall Equipment Reserve Fund	321 Street Development Reserve Fund
99,887	9,999	119,378	66,448	30,162	501,208
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	113,480	-	-
-	-	-	-	-	-
-	-	-	-	-	213,089
-	-	-	-	-	-
-	-	-	-	-	-
2,276	1,520	234	155	56	836
<u>2,276</u>	<u>1,520</u>	<u>234</u>	<u>113,635</u>	<u>56</u>	<u>213,925</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4	-	-
<u>2,276</u>	<u>1,520</u>	<u>234</u>	<u>113,631</u>	<u>56</u>	<u>213,925</u>
-	-	-	-	-	-
-	-	-	-	-	958,000
180,371	100,000	220,000	-	50,000	-
<u>180,371</u>	<u>100,000</u>	<u>220,000</u>	<u>-</u>	<u>50,000</u>	<u>958,000</u>
-	-	-	-	-	-
-	-	-	-	-	-
126,043	99,538	76,643	-	10,121	415,791
-	-	-	-	-	-
<u>126,043</u>	<u>99,538</u>	<u>76,643</u>	<u>-</u>	<u>10,121</u>	<u>415,791</u>
56,604	1,982	143,591	113,631	39,935	756,134
156,491	11,981	262,970	180,080	70,098	1,257,342
-	-	-	-	-	-
<u>156,491</u>	<u>11,981</u>	<u>262,970</u>	<u>180,080</u>	<u>70,098</u>	<u>1,257,342</u>

The accompanying notes are an integral part of this statement.

324 Infrastructure Reserve Fund	325 Development Mitigation Reserve Fund	401 Water Fund	402 Garbage Fund	403 Sewer Fund
357,050	9,254	617,180	-	1,508,570
-	-	920,299	87,727	553,786
-	-	-	-	-
432,388	-	-	-	-
-	-	-	-	300
171,339	-	-	-	24,066
-	-	1,079,080	1,137,343	1,540,506
-	-	5,280	-	1,786
64,858	48,561	10,470	388	16,315
668,585	48,561	1,094,830	1,137,731	1,582,973
-	-	-	-	-
-	-	-	-	-
-	-	837,188	1,037,868	1,542,258
1	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1	-	837,188	1,037,868	1,542,258
668,584	48,561	257,642	99,863	40,715
-	-	58,672	-	43,313
-	-	1,468,248	-	315,000
-	-	5,000	-	44,863
-	-	1,531,920	-	403,176
-	-	16,791	769	8,153
170,035	-	216,355	-	117,750
671,417	-	1,112,916	938	648
-	-	55,000	-	67,363
841,452	-	1,401,062	1,707	193,914
(172,868)	48,561	388,500	98,156	249,977
184,181	57,816	1,092,729	-	1,693,306
-	-	833,250	185,885	619,026
184,181	57,816	1,925,979	185,885	2,312,332

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	634 Water Deposits	639 Municipal Court Trust
308	Beginning Cash and Investments	66,103	65,240	863
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	29,720	32,311	(2,591)
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	27,991	29,720	(1,729)
Net Increase (Decrease) in Cash and Investments:		1,729	2,591	(862)
508	Ending Cash and Investments	67,830	67,830	-

The accompanying notes are an integral part of this statement.

City of Union Gap/Yakima County, Washington
Notes to the Financial Statements
For the year ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The City of Union Gap was incorporated in November, 1883 and operates under the laws of the state of Washington applicable to a non-charter city Manager-Council form of government. The City of Union Gap is a general purpose local government and provides public safety, street improvement, parks and recreation, senior center services, and general administrative services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the City of Union Gap also recognizes expenditures paid during twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The City of Union Gap adopts annual appropriated budgets for all funds except for Utility Local Improvement District (U.L.I.D. and L.I.D). 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	\$7,342,320	\$7,286,384	\$55,936
General Fund Reserve	\$0	\$0	\$0
Street	\$693,729	\$642,238	\$51,492
Park Development Reserve	\$35,000	\$11,380	\$23,620
Convention Ctr. Reserve	\$253,553	\$154,618	\$98,935
Tourism Promotion	\$91,513	\$77,799	\$13,714
Contingency Fund	\$134,623	0	\$134,623
PW Equip Reserve	\$350,000	\$0	\$350,000
Fire Truck Reserve	\$180,371	\$126,043	\$54,328
Senior Activity	\$1,300	\$1,292	\$8
Police Vehicle Reserve	\$100,000	\$99,538	\$462
City Hall Bld. Reserve	\$220,000	\$76,643	\$143,357
Municipal Capital Improvement	\$75,000	\$4	\$74,996
City Hall Equip. Reserve	\$54,000	\$10,121	\$43,879
Street Development Reserve	\$418,697	\$415,791	\$2,906
Criminal Justice	\$136,609	\$117,020	\$19,589
Infrastructure. Reserve	\$1,440,735	\$841,453	\$599,282
Development Mitigation Reserve	\$0	\$0	\$0
Crime Prevention Assessment	\$3,500	\$0	\$3,500
Commute Trip Reduction	\$100	\$0	\$100
Transit System	\$703,074	\$585,250	\$117,824
Community Policing	\$12,500	\$8,041	\$4,459
Drug Seizure	\$6,000	\$4,631	\$1,369
Comm. Events	\$18,272	\$7,749	\$10,523
Housing Rehabilitation	\$8,400	\$2,010	\$6,390
Water	\$1,215,961	\$1,180,157	\$35,805
Garbage	\$1,039,956	\$1,039,572	\$384
Sewer	\$1,612,721	\$1,540,916	\$71,805
Water Improvement Reserve	\$1,308,544	\$1,120,593	\$187,951
Sewer Improvement Reserve	\$310,000	\$155,395	\$154,605

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 of Union Gap, Yakima County, Washington's legislative body.

D. Cash and Investments

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

E. Capital Assets

The capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

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

Normally Sick leave may be accumulated up to 960 hours or 1440 hours. Upon separation employees do not receive payment for unused sick leave. Upon retirement employees receive up to 45 days of payment for sick leave.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers-in, operating transfers-out, proceeds from sales of capital assets, special assessments, intergovernmental loan proceeds, Public Works Trust Fund Loans, and Capital leases.

I. Risk Management

The City 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 150 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 \$500,000, 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. These revenues directly offset portions of the membership's annual assessment.

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.

Washington Cities Insurance Authority's address is P.O. Box 88030 Tukwila, WA 98138; Phone (206) 575-6046; Fax (206) 515-7426; www.wciapool.org.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use 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 the following:

Fund	Title	Reserved Fund Balance	Reason For Reserve
101	Street	\$465,154	Ord. by Council – For street expenses only.
107	Convention Center Reserve	\$194,300	Hotel/Motel Dollars-Restricted to tourism only
108	Tourism Promotion Assess	\$69,294	Tourism Promotion Assessment-Restricted to tourism only
110	Craft Night Reserve*	\$1,180	Ord. by Council - Donations for Library Craft Night Activities
114	Senior Center Activity*	\$2,810	Ord. by Council – For Senior Center activities only
123	Criminal Justice	\$351,388	Ord. by Council - State Criminal Justice Revenues, Criminal Justice Tax – Restricted to Criminal Justice Uses Only
126	Crime Prevention Assess	\$30,294	Ord. by Council –Criminal Assessment - for crime investigation.
127	Commute Trip Reduction*	\$2,928	Ord. by Council – For Commute Trip Reduction.
128	Transit System	\$2,718,524	Transit Tax - Restricted use
130	Community Policing	\$9,075	Ord. by Council - Police Donations for specific expenditures
131	Drug Seizure Forfeiture	\$2,839	Ord. by Council - Drug Seizure Revenue - for drug related items.
132	Community Events*	\$11,717	Ord. by Council - Contains Lodging Tax dollars from past years.
170	Housing Rehabilitation	\$128,370	CDBG Housing Rehab. funding - for Housing Rehab. Projects.
213	1993 G.O. Bond Redempt	\$374	For G.O. Bond Redemption Only
304	Valley Mall Blvd. Phase IV	\$561,532	Funding for Valley Mall Blvd. Phase IV Project
306	Parks and Recreation	\$137,323	Ord. by Council – For Park and Recreational costs only
312	Public Works Equip Reserve	\$526,307	Ord. by Council –For Public Works Equipment.
313	Fire Truck Reserve	\$156,491	Ord. by Council – For Fire Vehicle and Equipment.
315	Police Vehicle Reserve	\$11,981	Ord. by Council – For Police vehicle purchases only.
316	City Hall Building Reserve	\$262,970	Ord. by Council – For Construction of City Hall
318	Real Estate Excise Tax	\$180,080	REET revenues – restricted expenditures relating to the City's Comprehensive Plan.
320	City Hall Equipment Reserve	\$70,098	Ord. by Council – For City Hall Equipment Purchases only.
321	Street Development Reserve	\$1,257,342	Ord. by Council – For Street projects only
324	Infrastructure Reserve Fund	\$184,181	Ord. by Council - for City Infrastructure Projects
325	Development Mitigation Reserve	\$57,816	Ord. by Council – Includes Revenues for Development Mitigation - Used for Agreed Upon Mitigated Projects.
404	Water Infr Reserve**	\$1,092,729	Ord. by Council – for Water Infrastructure Projects.
405	Sewer Infr Reserve***	\$1,462,803	Ord. by Council – for Sewer Infrastructure Projects.
432	Assessment Reserve	\$230,502	Assessment Reserve.
634	Water Deposits	\$67,830	Agency Fund - Water Deposits cannot be used.
637	Petty Cash	\$5,020	Agency Fund - For Petty Cash Use.
638	Advance Travel	\$7,000	Agency Fund-For Advance Travel Use.
Total		\$10,260,252	

* Rolled up to Current Expense

** Rolled up to Water Fund

*** Rolled up to Sewer Fund

Note 2 - Property Tax

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

Property tax revenues are recognized when cash is received by City of Union Gap, Yakima County, Washington. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Union Gap, Yakima County, Washington regular levy for the year 2015 was \$2.64738018 per \$1,000 on an assessed valuation of \$606,080,515 for a total regular levy of \$1,604,526.

Note 3 – Deposits and Investments

It is the City of Union Gap, Yakima County, Washington'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 Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City of Union Gap, Yakima County, Washington or its agent in the government's name.

Investments are reported at fair market value. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	City of Union Gap's own investments	Investments held by City of Union Gap as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ <u>12,782,382.18</u>	\$ <u>0.00</u>	\$ <u>12,782,382.18</u>
Total	\$ <u>12,782,382.18</u>	\$ <u>0.00</u>	\$ <u>12,782,382.18</u>

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Union Gap and summarizes the City of Union Gap 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 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	532,969	79,287	612,256
2017	563,866	108,608	672,474
2018	577,513	131,301	708,814
2019	584,139	86,507	670,646
2020	590,983	76,918	667,901
2021-2025	2,211,071	258,347	2,469,418
2026-2030	1,123,570	113,686	1,237,256
2031-2035	428,065	24,145	452,210
2036-2040	109,939	2,474	112,413
Totals	6,722,115	881,273	7,603,388

Note 5 - Interfund Loans

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>
123	128	\$94,635.05	\$0.00	\$31,503.55	\$63,131.50
TOTALS		<u>\$ 94,635.05</u>	<u>\$ 0.00</u>	<u>\$31,503.55</u>	<u>\$ 63,131.50</u>

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Union Gap full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2 & 3, and LEOFF 1 & 2.

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
P.O. Box 48380
Olympia, WA 98540-8380

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

At December 31, 2015, the City of Union Gap's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1	0.000254%	\$13,287
PERS 1 UAAL	0.012507%	\$654,232
PERS 2/3	0.016165%	\$577,585
LEOFF 1	0.004868%	\$(58,670)
LEOFF 2	0.045384%	\$(466,457)

LEOFF Plan 1

The City of Union Gap also participates in 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 City of Union Gap also participates in the 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 7 - Other Disclosures

Fund Balance Comparison

The 2014 ending balance of fund 401 and 403 and their corresponding beginning balances in 2015 are different. This is because fund 404-Water/Sewer Improvement Reserve Fund, which was previously rolled-up into fund 403, was divided in 2015 into two separate accounts as follows:

- 404 – Water Improvement Reserve Fund
- 405 – Sewer Improvement Reserve Fund

This was done to allow water and sewer revenues and expenditures to be rolled-up properly into their corresponding enterprise fund.

Therefore, fund 401 shows a \$617,180 higher 2015 beginning fund balance and fund 403 shows a \$617,180 lower 2015 beginning fund balance than their corresponding 2014 ending fund balances.

Schedule 09

Compensated Absences – The ending fund balance for 2014 and the beginning fund balance for 2015 are different because on 2014 report I created by hand and erroneously used the employee's hourly rate based on the date that it was earned or used rather than the December 31, 2014 rate of pay, which would have been the latest 2015 rate we would be liable for. For 2015 I ran a report out of our software program that uses the December 31, 2015 hourly rate to calculate the compensated absences, which is accurate.

Prior Year Ending/Current

Year Beginning Balance Comparison –

- After reading the BARS Manual for reporting on the Schedule 09 I realized that the date of original issuance should be included in the description of all loans. By doing this it shows last year's loans and this year loans as different loans, however, the dollar amounts are correct.

City of Union Gap
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						
263.51	Local Lease Purchase 9/15/11	3/15/2022	188,746	-	20,058	168,688
263.81	Yakima County SIED Loan 7/31/07	6/1/2017	89,324	-	31,523	57,801
263.81	Yakima County SIED Loan 10/5/04	6/1/2020	301,371	-	46,591	254,780
263.81	Yakima County SIED Loan 3/26/02	6/1/2017	100,540	-	29,230	71,310
263.81	Yakima County SIED Loan 05/26/15	6/1/2030	-	958,000	-	958,000
263.81	Yakima County SIED Loan 7/7/15	6/1/2031	-	750,000	-	750,000
263.81	Yakima County SIED Loan 06/03/08	6/1/2024	375,950	-	31,678	344,272
Total General Obligation Debt/Liabilities:			1,055,931	1,708,000	159,080	2,604,851
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences 01/01/2015	12/31/2015	179,932	17,360	27,251	170,041
263.82	Public Works Trust Fund Loan 6/05/2000	7/1/2020	230,533	-	38,422	192,111
263.82	Public Works Trust Fund Loan 05/04/2001	7/1/2021	171,152	-	24,450	146,702
263.82	Public Works Trust Fund Loan 05/05/2004	7/1/2024	1,335,061	-	133,506	1,201,555
263.82	Public Works Trust Fund Loan 05/13/2005	7/1/2025	429,842	-	39,077	390,765
263.82	Public Works Trust Fund Loan 05/30/2006	7/1/2026	585,423	-	48,785	536,638
263.82	Public Works Trust Fund Loan 06/30/2011	10/1/2033	577,901	-	30,416	547,485
252.11	Public Works Trust Fund Loan 06/01/2013	10/1/2037	66,142	1,033,248	-	1,099,390
264.30	Net Pension Liability 01/01/2015		-	1,245,104	-	1,245,104
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,575,986	2,295,712	341,907	5,529,791
Total Liabilities:			4,631,917	4,003,712	500,987	8,134,642

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

Federal Agency (Pass-Through Agency)	Expenditures						Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	STPUS- 4550(005)	17,372	-	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	STPUS- 4579(012)	12,115	-	-	1,2
Total Highway Planning and Construction Cluster:				29,487	-	-	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State DOT)	State and Community Highway Safety	20.600	DUI PATROL	532	-	-	1,2
Total Highway Safety Cluster:				532	-	-	
Drinking Water State Revolving Fund Cluster							
Office Of Water, Environmental Protection Agency (via WA State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-138	1,147,272	-	-	1,2,3
Total Drinking Water State Revolving Fund Cluster:				1,147,272	-	-	
Total Federal Awards Expended:				1,177,291	-	-	

YAKIMA COUNTY, WASHINGTON
CITY OF UNION GAP/YAKIMA/WASHINGTON

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 Union Gap/Yakima/Washington's financial statements. The Union Gap/Yakima/Washington's uses the Cash Basis of Accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Union Gap/Yakima/Washington's portion, are 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 – INDIRECT COST RATE

The City of Union Gap did not charge any indirect costs and has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – FEDERAL LOANS

The City of Union Gap was approved by the EPA and the PWB to receive a loan totaling \$1,147,272 to improve its drinking water system. The amount listed for this loan includes the proceeds used during the year. Both the current and prior year loans are also reported on the City of Union Gap's Schedule of Liabilities.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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