



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### City of Granger

Yakima County

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

Published September 26, 2016

Report No. 1017598





## Washington State Auditor's Office

September 26, 2016

Mayor and City Council  
City of Granger  
Granger, Washington

### Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Granger'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 Granger  
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 Granger are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

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

### **Identification of Major Federal Programs:**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

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

**City of Granger  
Yakima County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Granger  
Granger, 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 Granger, 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 20, 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

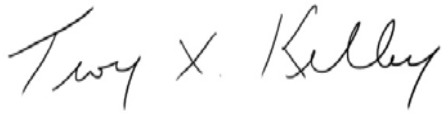
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 20, 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 Granger  
Yakima County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Granger  
Granger, Washington

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

We have audited the compliance of the City of Granger, 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.

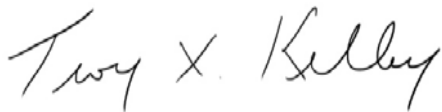
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 20, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Granger Yakima County January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Granger  
Granger, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the City of Granger, 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 15.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Granger 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 Granger, 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 Granger, 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.

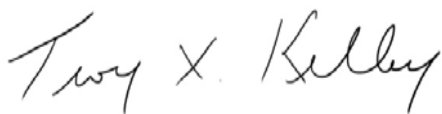
## Other Matters

### *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 20, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 20, 2016

## **FINANCIAL SECTION**

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 CURRENT EXPENSE</b>	<b>100 STREETS</b>	<b>120 EMS FIRE DEPARTMENT</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	754,053	65,666	-	20,239
30880	Unreserved	632,544	162,452	82,203	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	1,085,882	876,460	38,077	26,990
320	Licenses and Permits	48,477	48,477	-	-
330	Intergovernmental Revenues	1,571,298	154,084	73,647	-
340	Charges for Goods and Services	1,374,079	97,848	-	-
350	Fines and Penalties	25,055	25,055	-	-
360	Miscellaneous Revenues	48,868	4,163	2,987	1,853
Total Operating Revenues:		4,153,658	1,206,087	114,711	28,843
<b>Operating Expenditures</b>					
510	General Government	347,932	347,932	-	-
520	Public Safety	910,091	808,789	-	24,999
530	Utilities	998,462	-	-	-
540	Transportation	115,963	-	115,963	-
550	Natural and Economic Environment	127,655	124,033	-	-
560	Social Services	797	797	-	-
570	Culture and Recreation	72,102	70,880	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		2,573,001	1,352,431	115,963	24,999
Net Operating Increase (Decrease):		1,580,656	(146,345)	(1,252)	3,844
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	272,395	22,695	-	-
391-393	Debt Proceeds	1,724,835	-	-	-
397	Transfers-In	152,369	81,879	-	-
Total Nonoperating Revenues:		2,149,599	104,574	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	273,301	23,996	-	-
591-593	Debt Service	38,590	-	-	-
594-595	Capital Expenditures	2,737,528	35,495	-	592
597	Transfers-Out	152,367	41,961	-	-
Total Nonoperating Expenditures:		3,201,787	101,451	-	592
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>528,469</b>	<b>(143,223)</b>	<b>(1,252)</b>	<b>3,252</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	711,005	3,105	-	23,491
5088000	Unreserved	1,204,061	81,805	80,938	-
<b>Total Ending Cash and Investments</b>		<b>1,915,066</b>	<b>84,910</b>	<b>80,938</b>	<b>23,491</b>

*The accompanying notes are an integral part of this statement.*



<b>135 CRIMINAL JUSTICE FUND</b>	<b>137 CRIME PREVENTION FUND</b>	<b>139 PUBLIC SAFETY FUND</b>	<b>156 EMS TRAUMA CARE GRANT</b>	<b>175 FESTIVAL/FLOAT FUND</b>	<b>190 FED. HOUSING REHAB GRANT</b>
19,352	23,476	74,949	-	38,887	46,839
1	105	275	-	146	-
-	-	-	-	-	-
48,184	-	87,958	-	-	-
-	-	-	-	-	-
4,951	-	-	1,341	-	1,100
-	-	-	-	-	-
-	-	-	-	-	-
18	34	72	-	1,199	62
53,153	34	88,030	1,341	1,199	1,162
-	-	-	-	-	-
67,580	99	8,624	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,442
-	-	-	-	-	-
-	-	-	-	1,221	-
-	-	-	-	-	-
67,580	99	8,624	-	1,221	3,442
(14,427)	(65)	79,406	1,341	(22)	(2,280)
20,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,327	3,171	-
20,000	-	-	2,327	3,171	-
-	20,000	-	-	-	-
-	-	-	-	-	-
-	-	70,103	784	-	-
-	-	42,243	-	3,171	-
-	20,000	112,346	784	3,171	-
5,573	(20,065)	(32,940)	2,884	(22)	(2,280)
24,926	3,516	42,284	2,884	39,011	44,559
-	-	-	-	-	-
24,926	3,516	42,284	2,884	39,011	44,559

The accompanying notes are an integral part of this statement.

210 SEID LOAN FUND	305 CULTURAL PLAZA PROJECT FUND	335 CAPITAL IMPROVEMENT PLAN	410 WATER/SEWER	430 GARBAGE	450 IRRIGATION FUND
0	-	-	332,722	131,918	4
-	-	72,949	192,193	69,593	52,625
-	-	-	-	-	-
-	-	8,212	-	-	-
-	-	-	-	-	-
-	16,400	-	1,319,775	-	-
-	-	-	873,630	233,784	168,816
-	-	-	-	-	-
-	-	107	34,717	3,090	567
-	16,400	8,319	2,228,123	236,874	169,383
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	652,119	203,939	142,404
-	-	-	-	-	-
-	-	-	180	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	652,299	203,939	142,404
-	16,400	8,319	1,575,824	32,935	26,979
-	-	-	147,700	-	82,000
-	-	-	1,724,835	-	-
-	-	-	15,000	49,988	4
-	-	-	1,887,535	49,988	82,004
-	-	-	89,305	-	140,000
-	-	-	36,447	-	2,144
-	16,400	-	2,605,709	2,000	6,445
-	-	-	15,000	49,988	4
-	16,400	-	2,746,461	51,988	148,593
-	<b>0</b>	<b>8,319</b>	<b>716,898</b>	<b>30,935</b>	<b>(39,610)</b>
0	-	81,161	363,932	82,135	-
-	-	107	877,879	150,311	13,021
<b>0</b>	-	<b>81,268</b>	<b>1,241,811</b>	<b>232,445</b>	<b>13,021</b>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>621 MCELFRESH FUND</b>	<b>622 BELL MEMORIAL FUND</b>	<b>630 COURT</b>
308	Beginning Cash and Investments	70,411	0	66,718	3,692
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	421	-	421	-
380-390	Other Increases and Financing Sources	53,058	-	-	53,058
510-570	Expenditures	25	-	25	-
580-590	Other Decreases and Financing Uses	52,410	0	-	52,409
Net Increase (Decrease) in Cash and Investments:		1,044	(0)	396	649
508	Ending Cash and Investments	71,456	-	67,115	4,341

*The accompanying notes are an integral part of this statement.*

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

**Note 1 - Summary of Significant Accounting Policies**

The City of Granger was incorporated on October 1, 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 of Granger is a general purpose local government and provides public safety, fire protection, street improvements, parks, general administrative services, water, sewer, irrigation, and garbage services. In addition, the City of Granger owns and operates a sewer system.

The City of Granger 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. The 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. The City of Granger has no Component units.
- 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 City of Granger 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 City of Granger'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 (Current Expense)**

This fund is the primary operating fund of the City of Granger. 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 City of Granger.

**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.

### 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 of Granger on a cost reimbursement basis.

### FIDUCIARY FUND TYPES:

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

#### Agency Funds

Fund 630 Court. These funds are used to account assets that City of Granger holds for others in an agency capacity.

### B. Basis of Accounting and Measurement Focus

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

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

### C. Budgets

The City of Granger adopts annual appropriated budgets for the Street, EMS, Criminal Justice, Crime Prevention, Public Safety, Fire Dept. Reserve, Festival/Float, General Reserve, Federal Housing Rehabilitation, Cosecha Court CDBG, Planning Only, SEID, Cultural Plaza, Capital Improvements, Water/Sewer, Garbage, Consumer Deposit, Irrigation, Garbage Reserve, PWTF Reserve, W/S Reserve, McElfresh Fund, and Bell Memorial fund. These budgets are appropriated at the fund level except the General (Current Expense) Fund, where budget is adopted at the department 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	Fund That Rolled Into
001 General Fund	\$ 1,383,589.00	\$ 1,352,430.77	\$ 31,158.23	
100 Street Fund	\$ 123,542.00	\$ 115,962.63	\$ 7,579.37	
120 EMS Fund	\$ 35,094.00	\$ 24,998.90	\$ 10,095.10	
135 Criminal Justice Fund	\$ 68,552.00	\$ 67,579.88	\$ 972.12	
137 Crime Prevention Fund	\$ 21,721.00	\$ 99.40	\$ 1,620.87	
139 Public Safety Fund	\$ 121,946.44	\$ 8,624.10	\$ 120,970.54	
150 Fire Dept. Reserve Fund	\$ 32,370.00	\$ 32,370.00	\$ 0.00	001
155 Home Irrigation	\$ 4.48	\$ 4.48	\$ 0.00	450
156 EMS Trauma Care Grant	\$ 1,200.00	\$ 784.00	\$ 416.00	
175 Festival/Float Fund	\$ 1,543.00	\$ 1,221.47	\$ 321.53	
180 Dinosaur Fund	\$ 3,170.70	\$ 0	\$ 0.00	175
185 General Reserve Fund	\$ 0.00	\$ 0.00	\$ 0.00	001
190 Fed. House Rehab Fund	\$ 3,500.00	\$ 3,441.98	\$ 58.02	
195 Cosecha Court Fund	\$ 7,263.33	\$ 7,263.33	\$ 0.00	001
196 Plan Only Grant Fund	\$ 180.00	\$ 180.00	\$ 0.00	410
305 Cultural Plaza Fund	\$ 16,410.10	\$ 16,400.10	\$ 10.00	
310 GTP Development Fund	\$ 2.00	\$ 2.00	\$ 0.00	
335 Cap. Improvement Fund	\$ 0.00	\$ 0.00	\$ 0.00	
410 Water/Sewer Fund	\$ 3,877,790.11	\$ 652,118.99	\$ 3,225,671.12	
430 Garbage Fund	\$ 284,677.00	\$ 203,939.11	\$ 80,737.89	
440 Consumer Deposit Fund	\$ 0.00	\$ 0.00	\$ 0.00	440
450 Irrigation Fund	\$ 301,981.00	\$ 142,403.52	\$ 159,577.48	
451 Garbage Reserve Fund	\$ 49,988.00	\$ 49,988.00	\$ 0.00	430
475 PWTF Reserve Fund	\$ 164,638.39	\$ 0.00	\$ 164,638.39	410
480 W/S Reserve Fund	\$ 0.00	\$ 0.00	\$ 0.00	410
621 McElfresh Fund	\$ 0.28	\$ 0.28	\$ 0.00	
622 Bell Memorial Fund	\$ 2,105.00	\$ 24.81	\$ 2,080.19	

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 Granger's legislative body.

D. Cash and Investments

*See Note 2, Deposits and Investments.*

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to 35 days depending on the years of service and is payable upon separation or retirement.

Sick leave may be accumulated up to 640 hours. Upon retirement, employees may receive payment for unused sick leave depending on their hire dates. Payments are recognized as expenditures when paid.

G. Long-Term Debt

*See Note 5, Debt Service Requirements.*

H. Other Financing Sources or Uses

The City of Granger's *Other Financing Sources or Uses* consist of:  
Interfund loans  
Long Term Debt

I. Risk Management

The City of Granger is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 102 municipalities/entities participate in the RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2015, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still

responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

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

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

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 imposed by external parties or due to internal commitments established by Ordinance of the City Council. When expenditures that meet restrictions are incurred, the City of Granger intends to use reserved resources first before using unreserved amounts.

In relation to internal commitments, the Granger City Council may establish, modify or rescind a fund balance commitment by Ordinance.

The following funds are consolidated within the appropriate primary fund and reported under 508.10 Reserved.

120 EMS Fire Department Fund: Revenues and expenditures are for an ongoing method to promote the funding of emergency medical services by the Granger Fire and Police per Ordinance 740. The Ending Fund Balance of \$23,490.85 is reserved. In 2014, the fund was rolled into the General Fund 001 for reporting. In 2015, the fund stands alone.

135 Criminal Justice Fund: Revenues and expenditures are an ongoing method to promote the funding of criminal justice projects. The Ending Fund Balance of \$24,926.45 is reserved. The fund stands alone.

137 Crime Prevention Fund: Revenues and expenditures are for an ongoing method to combat criminal activities per Granger Municipal Code Ch. 1.18 and 3.90. The Ending Fund Balance of \$3,516.06 is reserved. In 2014, the fund was rolled into the General Fund 001 for reporting. In 2015, the fund stands alone.

139 Public Safety Fund: Revenues are derived from the three-tenths of one percent local sales and use tax within Yakima County. Expenditures shall be for criminal justice and public safety purposes. The Ending Fund Balance of \$42,283.89 is reserved. The fund stands alone.

150 Fire Dept. Reserve Fund: Revenues and expenditures are for an ongoing method for purchasing fire-fighting equipment per Ordinance 502. The Ending Fund Balance of \$3,094.81 is reserved. The fund is rolled into the General Fund 001 for reporting.

155 Home Irrigation: Revenues and Expenditures shall be used exclusively for the irrigation system improvements per Granger Municipal Code Ch. 3.35.020. The fund is rolled into the Irrigation Fund 450 for reporting. Per Ordinance 1180, this fund was closed and the balance of \$4.48 was transferred into the Irrigation Fund 450.

156 EMS Trauma Care Grant: Revenues and Expenditures shall be used for EMS and Fire Department purposes per Ordinance 1214. The Ending Fund Balance of \$2,884.18 is reserved. The fund stands alone.



175 Festival/Float Fund: Revenues and expenditures are in support of the city community festival program. The Ending Fund Balance of \$39,010.98 is reserved. The fund stands alone.

180 Dinosaur Fund: Revenues and expenditures are for the promotion and construction of dinosaurs for the "Prehistoric Dinosaur Theme." The fund is rolled in the Festival/Float Fund 175 for reporting. Per Ordinance 1182, this fund was closed and the balance of \$3,170.70 was transferred into the Festival/Float Fund 175.

190 Federal Housing Rehab Fund: This is a special fund created to the administration of the Federal Housing Rehab grant. The Ending Fund Balance of \$44,559.34 is reserved. The fund stands alone.

195 Cosecha Court Fund: This is a special fund created for the administration of CDBG Program Grant Monies. The fund is rolled into the General Fund 001 for reporting. Per Ordinance 1221, this fund was closed and the balance of \$10.00 was transferred to General Reserve Fund 185.

196 Planning Only Grant Fund: This is a special fund created for all costs of consulting, engineering and any other costs relating to the development of a water system comprehensive plan under a Community Development Block Grant Per GMC Ch. 3.64. The Ending Fund Balance of \$17,906.67 is reserved. The fund is rolled into the Water-Sewer Fund 410 for reporting.

335 Capital Improvement Plan: Revenues are derived from the Real Estate Excise Tax (RET). Expenditures shall be solely for local capital projects identified in RCW 82.46.010 which are identified in the capital facilities plan element of the city's Growth Management Act Comprehensive Plan. The Ending Fund Balance of \$81,161 is reserved.

440 Consumer Deposit Fund: A Trust Fund to hold water service deposits until renter ceases service, the deposit shall be refunded, less any unpaid account per Granger Municipal Code 13.24.140 C. The Ending Fund Balance of \$39,975.30 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

451 Garbage Reserve Fund: Ordinance 567 established this reserve fund for the purchase of garbage disposal/collection equipment and the monies in this fund shall not be expended for any other purpose. The Ending Fund Balance of \$82,134.684 is reserved. The Fund is rolled in the Garbage Fund 430 for reporting.

475 PWTF Reserve Fund: This reserve fund was established for the purpose of making payment on the public works trust fund loan. The Ending Fund Balance of \$104,036.90 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

480 Water-Sewer Reserve Fund: Revenues and expenditures shall support the operation and improvements of the water/sewer fund as deemed by the Granger City Council per Granger Municipal Code 3.110.010. The Ending Fund Balance of \$202,013.37 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

630 Court Fund: Municipal Court revenues and expenditures are outlined in the Granger Municipal Code. Ch. 2.36. The Ending Fund Balance of \$4,340.66 is reserved. The Fund stands alone.

## **Note 2 - Deposits and Investments.**

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of Granger or the Washington State Local Investment Pool, its agent in the City of Granger's name.

Investments are reported at original cost to the Washington State Local Investment Pool. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>City of Granger's Own investments</u>	Investments held by City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ <u>963,100.82</u>	\$ _____	<u>\$963,100.82</u>
Total	\$ <u>963,100.82</u>	\$ _____	<u>\$963,100.82</u>

### **Securities Lending Transactions**

None.

### **Derivatives**

None.

## **Note 3 - Property Tax**

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

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

The City of Granger's regular levy for the year 2015 was \$2.56 per \$1,000 on an assessed valuation of \$84,840,819.00 for a total regular levy of \$217,000.50.

Included with the property tax are the Real Estate Excise Taxes (REET) which is placed in the Capital Improvement Fund 335, regulated by RCW. Five Percent (5%) of the property taxes are placed in the Street Fund 100. The City also receives money from the EMS Tax Levy which is placed in the EMS Fire Department Fund 120.

100 Street Fund	\$10,984.64
120 EMS Fire Department Fund, EMS Tax Levy portion	\$26,984.75
335 Capital Improvement Fund, REET	\$ 8,212.02

**Note 4- 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>
450	480	\$ 65,000	\$ 82,000	\$ 147,000	\$ 0
135	137	\$ 0	\$ 20,000	\$ 0	\$ 20,000
TOTALS		\$ 65,000	\$ 102,000	\$ 147,000	\$ 20,000

**Note 5 - Debt Service Requirements.**

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

The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 66,595.00	\$31,428.69	\$ 98, 023.69
2017	\$101,424.70	\$58,096.29	\$159,520.99
2018	\$103,534.79	\$55,849.40	\$159,384.19
2019	\$105,696.20	\$53,551.17	\$159,247.37
2020	\$107,873.25	\$51,237.32	\$159,110.57
2021-2049	\$1,975,786.04	\$524,806.78	\$2,500,592.82
TOTALS	\$ 2,460,909.98	\$774,969.65	\$3,235,879.63

**Note 6 - Pension Plans**

Substantially all City of Granger's full-time and qualifying part-time employees participate in PERS 2 , LEOFF 2 and Deferred Compensation Program administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The City of Granger 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 plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

On June 30, 2015, the City of Granger's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	4.21%	\$ 220,222
PERS 2/3	5.44%	\$ 194,374
LEOFF 1	.073%	\$ (8,473)
LEOFF 2	1.42%	\$ (146,318)

#### LEOFF Plan 1

The City of Granger 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 Granger also participates in 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**

The City of Granger has a commitment to pay for post-employment benefits for employees that belong to the Department of Retirement (LEOFF1) these benefits include all medical and vision care. One retiree received benefits during the year and \$6,762.60 was paid out for those benefits during the 2015 year.

**City of Granger**  
**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>
<b>General Obligation Debt/Liabilities</b>						
263.81	2010 USDA RD Loan	5/25/2050	453,429	-	7,152	446,277
263.81	2002 PW Board Loan	6/1/2021	94,534	-	13,681	80,853
263.81	WA ST Water Pollution	8/30/2035	281,610	1,594,714	-	1,876,324
<b>Total General Obligation Debt/Liabilities:</b>			<b>829,573</b>	<b>1,594,714</b>	<b>20,833</b>	<b>2,403,454</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		72,053	25,596	24,019	73,630
264.30	Pension Liability		-	414,596	-	414,596
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>72,053</b>	<b>440,192</b>	<b>24,019</b>	<b>488,226</b>
<b>Total Liabilities:</b>			<b>901,626</b>	<b>2,034,906</b>	<b>44,852</b>	<b>2,891,680</b>

**City of Granger**  
**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	
<b>Water and Waste Program Cluster</b>							
Rural Utilities Service, Department Of Agriculture (via WA ST Dept. of Commerce)	Water and Waste Disposal Systems for Rural Communities	10.760	56 039 1438	7,152	-	7,152	1.2.4.5
	<b>Total Water and Waste Program Cluster:</b>			<b>7,152</b>	<b>-</b>	<b>7,152</b>	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA ST Dept. of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	1-92-741-009	6,462	-	6,462	1.2.3.5
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA ST Dept. of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	12-65400-024	8,234	-	8,234	1.2.5
	<b>Total CFDA 14.228:</b>			<b>14,696</b>	<b>-</b>	<b>14,696</b>	
<b>Clean Water State Revolving Fund Cluster</b>							
Office Of Water, Environmental Protection Agency (via WA ST Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1300029	1,328,876	-	1,328,876	1.2.3.5
	<b>Total Clean Water State Revolving Fund Cluster:</b>			<b>1,328,876</b>	<b>-</b>	<b>1,328,876</b>	
	<b>Total Federal Awards Expended:</b>			<b>1,350,724</b>	<b>-</b>	<b>1,350,724</b>	

*The accompanying notes are an integral part of this schedule.*

CITY OF GRANGER, YAKIMA COUNTY, 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 City of Granger's financial statements. The City of Granger uses the BARS-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 Granger portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles or 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 - REVOLVING LOAN - PROGRAM INCOME**

The City of Granger has a revolving loan program for low income housing renovation. Under this federal program, repayments to the City of Granger are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of principal and interest received in loan repayments for the year was \$6,461.89. (Principal \$6,400.00; Interest \$61.89).

**NOTE 4 - FEDERAL LOANS**

(a) The City of Granger, in 2012, was approved by the USDA Rural Utilities Service to receive a loan totaling \$480,000.00 to improve its drinking water system with a new reservoir. The City's principal balance due as of December 31, 2015 is \$388,107.09 after making a \$7,151.55 principal payment in 2015. This loan requires an annual report.

(b) The City of Granger, in 2012, was approved by the Department of Ecology, Washington State Water Pollution Control Revolving Fund to receive a loan totaling \$1,983,122.00 for the Granger Waste Water Treatment Plant Upgrade. The City will begin to pay back the loan in 2016.

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

**NOTE 5 - INDIRECT COST RATE**

The amount expended includes \$1,711.78 general program administration, claimed as an indirect cost allocation using a conversion to a composite hourly billing rate for an employee. The City of Granger has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>