

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

City of Grandview
Yakima County

Audit Period
January 1, 2012 through December 31, 2012

Report No. 1010426

Issue Date
September 23, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

September 23, 2013

Mayor and City Council
City of Grandview
Grandview, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Yakima County
January 1, 2012 through December 31, 2012**

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Federal Summary

City of Grandview Yakima County January 1, 2012 through December 31, 2012

The results of our audit of the City of Grandview are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

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 under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.228	CDBG - State-Administered CDBG Cluster - Community Development Block Grants/State's Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Grandview
Yakima County
January 1, 2012 through December 31, 2012**

Mayor and City Council
City of Grandview
Grandview, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Grandview, Yakima County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 5, 2013.

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.



TROY KELLEY
STATE AUDITOR

September 5, 2013

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**City of Grandview
Yakima County
January 1, 2012 through December 31, 2012**

Mayor and City Council
City of Grandview
Grandview, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Grandview, Yakima County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2012.

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 OMB Circular A-133, 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 OMB Circular A-133. 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

September 5, 2013

Independent Auditor's Report on Financial Statements

City of Grandview Yakima County January 1, 2012 through December 31, 2012

Mayor and City Council
City of Grandview
Grandview, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Grandview, Yakima County, Washington, for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Grandview, for the year ended December 31, 2012, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

Purpose of this Report

The report is intended for the information and use of the management, the Mayor and City Council, federal awarding agencies and pass-through entities of the City. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2013 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

September 5, 2013

Financial Section

**City of Grandview
Yakima County
January 1, 2012 through December 31, 2012**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2012
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012
Notes to Financial Statements – 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2012
Schedule of Expenditures of Federal Awards – 2012
Notes to the Schedule of Expenditures of Federal Awards – 2012

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		Total for All Funds	001 Current Expense	105 EMS
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	6,573,973	1,144,895	119,998
38880/58880	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	5,540,614	3,852,959	97,116
320	Licenses and Permits	142,919	142,919	0
330	Intergovernmental Revenues	2,120,226	411,441	8,037
340	Charges for Goods and Services	5,881,811	100,995	0
350	Fines and Penalties	201,214	201,214	0
360	Miscellaneous Revenues	197,056	78,688	171
Total Operating Revenues:		14,083,840	4,788,216	105,324
Operating Expenditures				
510	General Government	769,348	769,348	0
520	Public Safety	3,276,153	3,000,236	95,284
530	Utilities and Environment	4,399,369	24,286	0
540	Transportation	850,036	5,000	0
550	Economic Environment	133,297	133,297	0
560	Mental and Physical Health	2,843	2,843	0
570	Culture and Recreational	693,868	693,868	0
598	Intergovernmental Payment	0	0	0
Total Operating Expenditures:		10,124,914	4,628,878	95,284
Net Operating Increase (Decrease):		3,958,926	159,338	10,040
Nonoperating Revenues				
370, 380, 395,398	Other Financing Sources	457,423	300,516	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	961,418	163,230	0
Total Nonoperating Revenues:		1,418,841	463,746	0
Nonoperating Expenditures				
580, 582, 596, 599	Other Financing Uses	1,194,187	333,308	0
591-593	Debt Service	352,404	53,202	0
594-595	Capital Expenditures	2,356,476	106,845	0
597	Transfers-Out	961,418	135,000	0
Total Nonoperating Expenditures:		4,864,485	628,355	0
Increase (Decrease) in Cash and Investments		513,282	-5,271	10,040
Ending Cash and Investments				
50810	End Fun Bal-Reserved	1,038,032	0	0
50880	End Fund Bal-Unreserved	6,049,223	1,139,624	130,038

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		106 Law & Justice Tax	110 Street Fund	130 Cemetery Fund
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	36,523	68,973	42,348
38880/58880	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	230,612	191,440	51,541
320	Licenses and Permits	0	0	0
330	Intergovernmental Revenues	0	582,205	0
340	Charges for Goods and Services	0	0	59,451
350	Fines and Penalties	0	0	0
360	Miscellaneous Revenues	76	3,061	6,571
Total Operating Revenues:		230,688	776,706	117,563
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	180,633	0	0
530	Utilities and Environment	0	0	119,958
540	Transportation	0	530,588	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
598	Intergovernmental Payment	0	0	0
Total Operating Expenditures:		180,633	530,588	119,958
Net Operating Increase (Decrease):		50,055	246,118	-2,395
Nonoperating Revenues				
370, 380, 395,398	Other Financing Sources	0	1,358	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	60,000	0
Total Nonoperating Revenues:		0	61,358	0
Nonoperating Expenditures				
580, 582, 596, 599	Other Financing Uses	0	0	44
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	0	357,289	2,709
597	Transfers-Out	0	0	3,500
Total Nonoperating Expenditures:		0	357,289	6,253
Increase (Decrease) in Cash and Investments		50,055	-49,813	-8,648
Ending Cash and Investments				
50810	End Fun Bal-Reserved	0	0	0
50880	End Fund Bal-Unreserved	86,578	19,160	33,700

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		201 G.O. Bond Red.	301 Captial Constr.	310 CDBG
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	4,681	64,460	0
38880/58880	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	84,460	32,002	0
320	Licenses and Permits	0	0	0
330	Intergovernmental Revenues	0	0	922,485
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	0	0
360	Miscellaneous Revenues	67	116	0
Total Operating Revenues:		84,527	32,118	922,485
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities and Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
598	Intergovernmental Payment	0	0	0
Total Operating Expenditures:		0	0	0
Net Operating Increase (Decrease):		84,527	32,118	922,485
Nonoperating Revenues				
370, 380, 395,398	Other Financing Sources	0	121,109	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	0	425,000
Total Nonoperating Revenues:		0	121,109	425,000
Nonoperating Expenditures				
580, 582, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	89,208	0	0
594-595	Capital Expenditures	0	8,185	1,170,297
597	Transfers-Out	0	61,000	177,188
Total Nonoperating Expenditures:		89,208	69,185	1,347,485
Increase (Decrease) in Cash and Investments		-4,681	84,042	0
Ending Cash and Investments				
50810	End Fun Bal-Reserved	0	121,110	0
50880	End Fund Bal-Unreserved	0	27,392	0

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		315 Com.Ctr Const	410 Water/Sewer	420 Irrigation
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	5,327	2,281,289	242,237
38880/58880	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	688,411	0
320	Licenses and Permits	0	0	0
330	Intergovernmental Revenues	196,058	0	0
340	Charges for Goods and Services	0	4,045,319	431,357
350	Fines and Penalties	0	0	0
360	Miscellaneous Revenues	10,843	67,939	893
Total Operating Revenues:		206,901	4,801,669	432,250
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities and Environment	0	2,822,990	444,734
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
598	Intergovernmental Payment	0	0	0
Total Operating Expenditures:		0	2,822,990	444,734
Net Operating Increase (Decrease):		206,901	1,978,679	-12,484
Nonoperating Revenues				
370, 380, 395,398	Other Financing Sources	0	12,041	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	136,000	177,188	0
Total Nonoperating Revenues:		136,000	189,229	0
Nonoperating Expenditures				
580, 582, 596, 599	Other Financing Uses	0	860,835	0
591-593	Debt Service	0	209,994	0
594-595	Capital Expenditures	269,198	149,940	0
597	Transfers-Out	79,030	490,000	5,500
Total Nonoperating Expenditures:		348,228	1,710,769	5,500
Increase (Decrease) in Cash and Investments		-5,327	457,139	-17,984
Ending Cash and Investments				
50810	End Fun Bal-Reserved	0	563,220	0
50880	End Fund Bal-Unreserved	0	2,175,208	224,253

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		430 Solid Waste	510 Equip. Rental	710 Cemetery Endowment
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	235,103	1,975,732	352,407
38880/58880	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	312,073	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	738,245	505,149	1,295
350	Fines and Penalties	0	0	0
360	Miscellaneous Revenues	4,294	24,337	0
Total Operating Revenues:		1,054,612	529,486	1,295
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities and Environment	987,401	0	0
540	Transportation	0	314,448	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
598	Intergovernmental Payment	0	0	0
Total Operating Expenditures:		987,401	314,448	0
Net Operating Increase (Decrease):		67,211	215,038	1,295
Nonoperating Revenues				
370, 380, 395,398	Other Financing Sources	0	22,399	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	0	0
Total Nonoperating Revenues:		0	22,399	0
Nonoperating Expenditures				
580, 582, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	0	292,013	0
597	Transfers-Out	10,200	0	0
Total Nonoperating Expenditures:		10,200	292,013	0
Increase (Decrease) in Cash and Investments		57,011	-54,576	1,295
Ending Cash and Investments				
50810	End Fun Bal-Reserved	0	0	353,702
50880	End Fund Bal-Unreserved	292,114	1,921,156	0

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	605 Library Trust Fund	621 Library Memorial Trust Fund
308	Beginning Cash and Investments	85,188	80,191	4,997
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	3,034	146	2,889
370-390	Other Increases and Financing Sources	0	0	0
510-570	Expenditures	4,704	4,485	220
580-590	Other Decreases and Financing Uses	6,911	989	5,923
Increase (Decrease) in Cash and Investments		-8,581	-5,327	-3,253
508	Ending Cash and Investments	76,607	74,864	1,743

City of Grandview
For year ending 12/31/2012
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Grandview was incorporated on September 21, 1909 and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a mayor-council form of government. The City is a general-purpose government and provides public safety, fire prevention, street improvement, parks and recreation, health and social services, and general administrative services. In addition, the City owns and operates water and sewer systems, an irrigation water system, refuse collection system, and cemetery. The city uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

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

b. Basis of Accounting

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

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

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

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

c. Budgets

The city adopts annual appropriated budgets for the Current Expense, Emergency Medical Services, Yakima County 3/10% Law & Justice Tax, Street, Cemetery, G.O. Bond Redemption, Capital Improvement, C.D.B.G., Community Center Construction, Water/Sewer, Irrigation, Solid Waste, W/S Revenue Bond

Redemption, Equipment Rental, Reserve and TBD funds. These budgets are appropriated at the fund level. Annual appropriations for these funds lapse at the fiscal year end.

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

The budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	\$ 5,267,280	\$ 4,964,148	\$ 303,132
E.M.S.	\$ 117,330	\$ 95,284	\$ 22,046
Yakima Co. 3/10% L. & J. Tax	\$ 195,600	\$ 180,633	\$ 14,967
Street	\$ 939,486	\$ 887,878	\$ 51,608
Cemetery	\$ 137,040	\$ 126,167	\$ 10,873
G.O. Bond Redemption	\$ 89,210	\$ 89,208	\$ 2
Capital Improvement	\$ 87,100	\$ 69,185	\$ 17,915
C.D.B.G.	\$ 1,400,000	\$ 1,347,485	\$ 52,515
Community Center Const.	\$ 360,023	\$ 348,227	\$ 11,796
Water/Sewer	\$ 4,893,470	\$ 4,515,891	\$ 377,579
Irrigation	\$ 471,980	\$ 450,234	\$ 21,746
Solid Waste	\$ 1,060,600	\$ 997,601	\$ 62,999
W/S Rev. Bond Redemption	\$ 542,260	\$ 542,260	\$ 0
Equipment Rental, Reserve	\$ 636,950	\$ 606,461	\$ 30,489
Transportation Benefit District	\$ 140,000	\$ 44,819	\$ 95,181

The City Administrator is authorized to transfer budgeted amounts between Departments within any fund/object classes within Departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

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

d. Cash

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

The amounts reported as net cash and investments also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2012 were \$403,972. The City received a .25% earnings credit to be applied to the monthly account service fees. The difference in calculated service fees and earnings credit were paid and accounted for as an expense.

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

Cash and Investments - Debt Service	\$ 664,822
Cash and Investments - Capital Improvements	\$ 148,503
Cash and Investments - Cemetery Perpetual Care	\$ 353,702
Cash and Investments - Equipment Replacement	\$1,921,157
Cash and Investments - Library Trust	\$ 76,607

e. Deposits

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

f. Investments See Note 3

g. Capital Assets

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

h. Compensated Absences

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

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

i. Long-Term Debt See Note 6

j. Other Financing Sources Or Uses

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

k. Risk Management

The city of Grandview is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 153 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property

insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 – INVESTMENTS

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

Investments are presented at cost.

Investments by type at December 31, 2012 are as follows:

Type of Investment	Balance
Local Government Investment Pool	\$ 3,775,237.33
Municipal Bonds	2,460,749.32
U.S. Government Securities	0.00
US Bank Municipal Investor's Account	350,000.00
Total	\$ 6,585,986.65

NOTE 4 - PROPERTY TAXES

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

Property Tax Calendar

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

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

The City's regular levy for 2012 was \$3.375 per \$1,000 on an assessed valuation of \$410,890,565 for a total regular levy of \$1,386,756.

Beginning in 1993, the City began collecting a voted excess levy of \$0.5838 per \$1,000. The levy rate of \$0.2090 was assessed in 2012 on an excess levy base of \$406,784,458 for \$85,000. This levy is to service the debt on the 1992 General Obligation bonds sold to finance the construction of a Fire Station, fire equipment, and remodel existing Police/Municipal Court facilities.

In addition to the regular levy and G.O. bond levy, the City received Excess Levy property taxes from the County. These taxes were voted and approved by the voters on a county-wide basis for Emergency Medical Services. The levy rate in 2012 was \$0.22442381 per \$1,000 on an assessed valuation of \$406,784,458 for a total E.M.S. excess levy of \$91,292.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The city has no interfund loans or advances during 2012.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the City and summarizes the City's debt transactions for 2012. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

Year	General Obligation Bonded Debt	General Obligation Other Debt	Revenue Bonded Debt	Revenue Other Debt	Total Debt
2012	89,207.50	121,098.02	542,260.00	456,699.78	1,209,265.30
2013		122,004.26	543,400.00	452,653.19	1,118,057.45
2014		81,898.80	538,600.00	448,606.60	1,069,105.40
2015		81,148.80	543,020.00	444,560.01	1,068,728.81
2016		85,398.80	546,250.00	440,513.47	1,072,162.27
2017-2021		361,796.50	1,624,750.00	924,089.31	2,910,635.81
2022-2026		276,350.00	0.00	390,194.71	666,544.71
2027-2031		275,400.00	0.00	105,960.00	381,360.00
2032-2036				105,960.00	105,960.00
2037-2041				105,960.00	105,960.00
2042-2046				105,960.00	105,960.00
2047-2050				63,524.36	63,524.36
Totals	89,207.50	1,405,095.18	4,338,280.00	4,044,681.43	9,877,264.11

At December 31, 2012, restricted assets in proprietary funds contain \$664,822 in sinking funds and reserves as required by bond indentures.

Included on Schedule 09 in 2012 are the Long-Term Liabilities of Compensated Absences. Outstanding compensating absences are those amounts due to employees to buy-out vested leave balances if employment had been discontinued at fiscal year end. Included in the 2012 schedule is the city's liability to the Department of Retirement Systems and Social Security/Medicare. The City of Grandview has policies in place that provide for buy-out of accrued and unused vacation and sick leave time. The liability to Government Funds on 12/31/2012 is \$431,946. The Proprietary Funds liability is \$227,572.

NOTE 7 - PENSION PLANS

Substantially all City of Grandview full-time and qualifying part-time employees participate in Public Employees' Retirement System I and II (PERS), Public Safety Employees' Retirement System (PSERS) and Law Enforcement Officers' and Fire Fighters' Retirement System I and II (LEOFF) administered by the Department of Retirement Systems, and the State of Washington Board for Volunteer Fire Fighters & Reserve Officers Relief and Pension Fund (as provided by Chapter 41.24 RCW) under cost-sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

The city, pursuant to its bargaining agreement with General Teamsters Local No. 760, provides for a supplemental pension plan for its police department employees, being the Western Conference of Teamsters Pension Trust Fund, which was established by the Trustees on April 26, 1955 to define the retirement, death and termination benefits to be provided by employer contributions to the Trust Fund, the conditions of eligibility for those benefits, the terms of payment, and other necessary or appropriate items. The Plan was initially determined by the Internal Revenue Service to be a "qualified plan" under section 401(a) of the Internal Revenue Code on May 5, 1955 and became effective May 15, 1955. Retirement benefits first became payable to eligible employees retiring effective June 1, 1957. The Plan has been amended from time to time since April 1955. A copy of the information booklet is on file with the U.S. Department of Labor and may be referred to by the Employer Identification Number 91-6145047, and Plan Identification Number 001.

To be eligible to participate in this Pension Plan, an employee must be covered under a bona fide written Pension Agreement (labor contract) between an Employer and a Local Union of the Western Conference of Teamsters. The Pension Agreement must conform to the Trustee Policy on Acceptance of Employer Contributions. The plan Copies of the Pension Agreements are available for inspection at the City Clerk's office at the City of Grandview and at the local union.

Only the Area Administrative Offices represent the Trustees in administering the Plan and giving information relating to amount of benefits, eligibility and other provisions of the Plan. No Union Employee, including Union Officers and Business Agents, no Employer or Employer representative, and no representative of any other organization except the Area Administrative Offices is authorized to give information, interpret the Plan, or commit the Trustees on any matter, in all cases, the terms of the Plan govern. Administrative Offices Northwest Area for the Western Conference of Teamsters Pension Trust Fund is located at: 2323 Eastlake Avenue East, Seattle, Washington 98102-3392.

NOTE 8 - DEFERRED COMPENSATION PLAN

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

NOTE 9 - OTHER DISCLOSURES

CLOSURE AND POST CLOSURE CARE COSTS

The City of Grandview has operated a landfill facility that is now 100% of capacity and currently in the closure process. The facility has final cover on all cells.

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for twenty years after closure. An expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred after the date of closure. The estimated liability for closure and post closure care costs has a remaining balance of \$10,000 as of December 31, 2012. On an annual basis the city forwards its monthly monitoring reports to the Washington State Department of Ecology for review of post closure compliance.

The City of Grandview is required by state and federal laws and regulations to make annual budget appropriations to finance closure and post closure care. The City is in compliance with these requirements. The City will fund the balance of the landfill closure with current revenues. Through City of Grandview Resolution 93-59 the City is committed to annual appropriations of \$10,000 for a twenty-year period to meet the post closure funding requirements.

While the estimates used are based on current and accurate data compiled in development of the City's Closure/Post Closure Plan, there is the potential for changes in estimates resulting from inflation, technological changes or regulatory changes. The City holds sufficient assets as of December 31, 2012 to meet reasonable changes in the estimates. The Solid Waste fund balance on December 31, 2012 is \$292,114. The Solid Waste fund uses the cash basis of accounting pursuant to reporting requirements of the Washington State Auditor.

TRANSPORTATION BENEFIT DISTRICT

The City of Grandview created the Grandview Transportation Benefit District (TBD) in 2011. The Grandview City Council acts as the board of directors of the TBD. Collection of license tab fees began in 2012. The total fees collected were \$116,323. Revenues from the license tab fees will be used for planned and defined transportation system purposes.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The city has a commitment to pay for post employment benefits for employees that belong to LEOFF1. These benefits include medical, vision and long term care. Six retirees received benefits during the year and \$75,845 was paid out for those benefits during the year.

Schedule of Liabilities
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2012
General Obligations								
	251.14	2001 G.O. Bonds	12/1/2012	85,000		85,000	59122	0
	263.51	Wa.St.Treas. L.O.C.A.L. COP	12/1/2031	730,000		20,000	59172	710,000
	263.81	Yakima County SIED Loan	6/1/2013	76,579		37,939	58238	38,640
	263.81	Yakima County SIED Loan	6/1/2019	204,864		23,500	58238	181,364
	259.11	Compensated Absences		408,613	23,333			431,946
	263.51	Lease-Purchase agreement	5/3/2012	1,200		1,200	59173	0
Total General Obligations:				1,506,256	23,333	167,639		1,361,950
Revenue Obligations								
	263.82	P.W.T.F. Loan WWTP Imp.	7/1/2016	1,187,526		237,505	58238	950,021
	263.82	P.W.T.F. Loan Well Rehab	7/1/2019	217,097		27,137	58238	189,960
	263.82	D.W.St.R.F. Loan Well Rehab	10/1/2023	1,680,205		140,017	58238	1,540,188
	252.11	2005 Rev. Bonds WWTP Imp.	11/1/2019	3,550,000		385,000	58235	3,165,000
	263.62	USDA Promisory Note	11/16/2049	458,384		6,130	58238	452,254
	259.12	Compensated Absences		213,015	14,557			227,572
	263.22	Landfill Postclosure Costs	12/31/2013	20,000		10,000		10,000
Total Revenue Obligations:				7,326,227	14,557	805,789		6,534,995
Total Liabilities:				8,832,483	37,890	973,428		7,896,945

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award I.D. Number	Expenditures			Foot Note Ref.
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Washington State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	10-64100-020 Community Center Construction	196,058		196,058	1,2
Office Of Community Planning And Development, Department Of Housing And Urban Development/Washington State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	11-64100-033 North Birch	922,485		922,485	1,2
Total CFDA 14.228				1,118,542	0	1,118,542	
Drug Enforcement Administration/Yakima County Treasurer	Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.579	N/A	37,939		37,939	1,2
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	N/A		9,390	9,390	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	STPUS-8056(005)	60,058		60,058	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Department of Transportation	Highway Planning and Construction	20.205	STPUS-8051(002)	38,621		38,621	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Department of Transportation	Highway Planning and Construction	20.205	STPUS-8054(003)	19,961		19,961	1,2
Total CFDA 20.205				118,640	0	118,640	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	N/A	827		827	1,2
Department of Transportation Federal Highway Traffic Safety Administration (NHTSA) - Through from WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	N/A	1,235		1,235	
Department of Transportation Federal Highway Traffic Safety Administration (NHTSA) - Through from WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	N/A	1,008		1,008	
Institute Of Museum And Library Services/Secretary of State	Grants to States	45.310	LS-00-11-0048-11	2,469		2,469	1,2
Department Of Homeland Security/	Assistance to Firefighters Grant	97.044	EMW-2010-FO-06352		28,856	28,856	1,2
Total Federal Awards Expended:				1,280,660	38,246	1,318,907	

The accompanying Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement

CITY OF GRANDVIEW

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant or loan portions of the program costs. Entire program costs, including the city's portion, may be more than shown.

NOTE 3 - FEDERAL LOANS

The city has been approved by the U.S. Department of Agriculture – Rural Development to receive a loan totaling \$464,600 to fund a domestic Water System Improvements project. While the loan was approved in 2009 proceeds were not remitted until early 2010. The amount reported on Schedule 16 represents the unpaid principal balance on 12/31/2012. The loan is reported on the city'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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor
Chief of Staff
Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of Quality Assurance
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Toll-free Citizen Hotline

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