

Washington State Auditor's Office
Financial Statements Audit Report

City of Cheney
Spokane County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012213

Issue Date
July 17, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

July 17, 2014

Mayor and City Council
City of Cheney
Cheney, Washington

Report on Financial Statements

Please find attached our report on the City of Cheney's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

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**City of Cheney
Spokane County
January 1, 2013 through December 31, 2013**

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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 Cheney
Spokane County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Cheney
Cheney, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cheney, Spokane County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2014.

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 opinions 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.

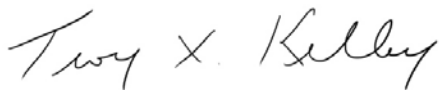
COMPLIANCE AND OTHER MATTERS

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

June 26, 2014

Independent Auditor's Report on Financial Statements

City of Cheney Spokane County January 1, 2013 through December 31, 2013

Mayor and City Council
City of Cheney
Cheney, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cheney, Spokane County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 5.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cheney, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

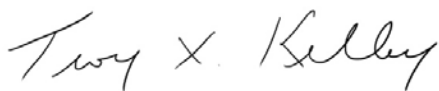
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15 and information on postemployment benefits other than pensions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 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

June 26, 2014

Financial Section

**City of Cheney
Spokane County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

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Statement of Activities – 2013

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Reconciliation of Total Governmental Fund Balances to Net Position of Governmental
Activities – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental
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Governmental Funds to the Statement of Activities – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
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Statement of Net Position – Proprietary Funds – 2013

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– 2013

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

As management of the City of Cheney, we offer the readers of the City of Cheney's financial statements this narrative overview and analysis of the financial activities of the City of Cheney for the fiscal year ended December 31, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City of Cheney exceeded its liabilities at the close of the most recent fiscal year by \$39,432,310. Of this amount, \$6,079,726 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased in 2013 by \$2,140,703 or 5%. The decrease occurred primarily the governmental activities reporting a -7% decrease in net position. Decreases in sales tax, building permit fees, and court revenues contributed largely to a reduction in general revenues, and therefore, a reduction in net position.
- At the close of the current fiscal year, the City of Cheney's governmental funds balance sheet reported combined ending fund balances of \$1,851,386, a decrease of \$175,820 or -9% in comparison with the prior year. \$972,237 of this amount is available for spending at the City's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cheney's basic financial statements. The City of Cheney's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Cheney's finances, in a manner similar to private-sector businesses.

The *statement of net position* presents information on all of the City of Cheney's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cheney is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City of Cheney that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other

CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities in the City of Cheney include general government, finance, police, fire, streets, planning and community development, municipal court, and culture and recreation. The business-type activities of the City of Cheney include electric, water, solid waste and sewer.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cheney, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Cheney can be divided into three categories: Governmental, Proprietary, and Fiduciary.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term funding decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The general fund is the only governmental major fund reported in 2013. Data from the other 14 governmental funds are considered to be non-major and are combined into a single, aggregated presentation.

The City of Cheney adopts an annual appropriated budget for all governmental and proprietary funds. A budgetary comparison statement has been provided for the City of Cheney's major governmental fund, the general fund, to demonstrate compliance with this budget.

Proprietary Funds. The City of Cheney maintains two types of proprietary funds. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. The City of Cheney uses enterprise funds to account for its electric, water, solid waste, and sewer operations. Internal service funds are an accounting

CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

device used to accumulate and allocate costs internally among the City of Cheney's various functions. The City of Cheney uses internal service funds to account for equipment rental, mechanical shop and unemployment. Because these funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, solid waste, and sewer, all of which are considered to be major funds of the City of Cheney. Conversely, the internal service funds are combined into a single, aggregate presentation on the proprietary fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City of Cheney's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a governmental financial position. In the case of the City of Cheney, assets exceeded liabilities by \$39,432,310 at the close of 2013.

By far the largest portion of the City's net position (82%) reflects the investment in capital assets (e.g. land, buildings, equipment, improvements, and infrastructure), less any related outstanding debt used to acquire those assets. The City of Cheney uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cheney's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

The table below illustrates a comparative view of Net Position for both the governmental and business-type activities for the fiscal years ending 2013 and 2012.

| City of Cheney, Washington – Net Position | | | | | | |
|--|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and Other Assets | \$2,618,264 | \$3,186,380 | \$7,915,360 | \$8,211,414 | \$10,533,624 | \$11,397,794 |
| Capital Assets | 17,536,016 | 18,601,665 | 24,736,533 | 25,972,783 | 42,272,549 | 44,574,448 |
| <i>Total Assets</i> | 20,154,280 | 21,788,045 | 32,651,893 | 34,184,197 | 52,806,173 | 55,972,242 |
| Long-Term Liabilities Outstanding | 1,427,197 | 1,283,290 | 9,809,558 | 10,588,067 | 11,236,755 | 11,871,357 |
| Other Liabilities | 349,030 | 841,051 | 1,770,078 | 1,751,626 | 2,119,108 | 2,592,677 |
| <i>Total Liabilities</i> | 1,776,227 | 2,124,341 | 11,579,636 | 12,339,693 | 13,355,863 | 14,464,034 |
| Deferred Inflows of Resources | 18,000 | - | - | - | 18,000 | - |
| <i>Total Deferred Inflows of Resources</i> | 18,000 | - | - | - | 18,000 | - |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 17,536,016 | 18,601,665 | 14,845,995 | 15,351,962 | 32,382,011 | 33,953,627 |
| Restricted | 443,660 | 362,736 | 526,913 | 434,866 | 970,573 | 797,602 |
| Unrestricted | 380,377 | 699,303 | 5,699,349 | 6,057,676 | 6,079,726 | 6,756,979 |
| <i>Total Net Position</i> | 18,360,053 | \$19,663,704 | \$21,072,257 | \$21,844,504 | \$39,432,310 | \$41,508,208 |

An additional portion of the net position of the City of Cheney (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,079,726 may be used to meet the government's ongoing obligation to the citizens and creditors.

At the end of 2013, the City of Cheney is able to report positive balance in all three categories of net position, both for the government as a whole, as well as for its separate government and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities decreased the net position of the City of Cheney by -\$1,282,398. Total 2013 revenues were reduced by -\$1,491,776 while expenditures decreased -\$188,180 over the same period. Grant funding for both transportation and parks and recreation was received in 2012 contributing to the large revenues for the fiscal year. Those grant programs were completed in that year and were not replaced with other funding sources in 2013.

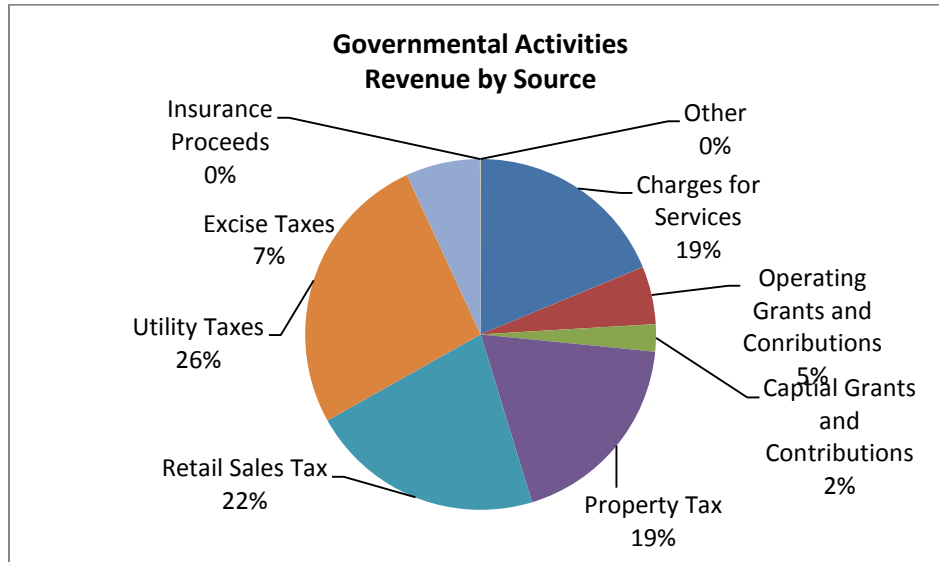
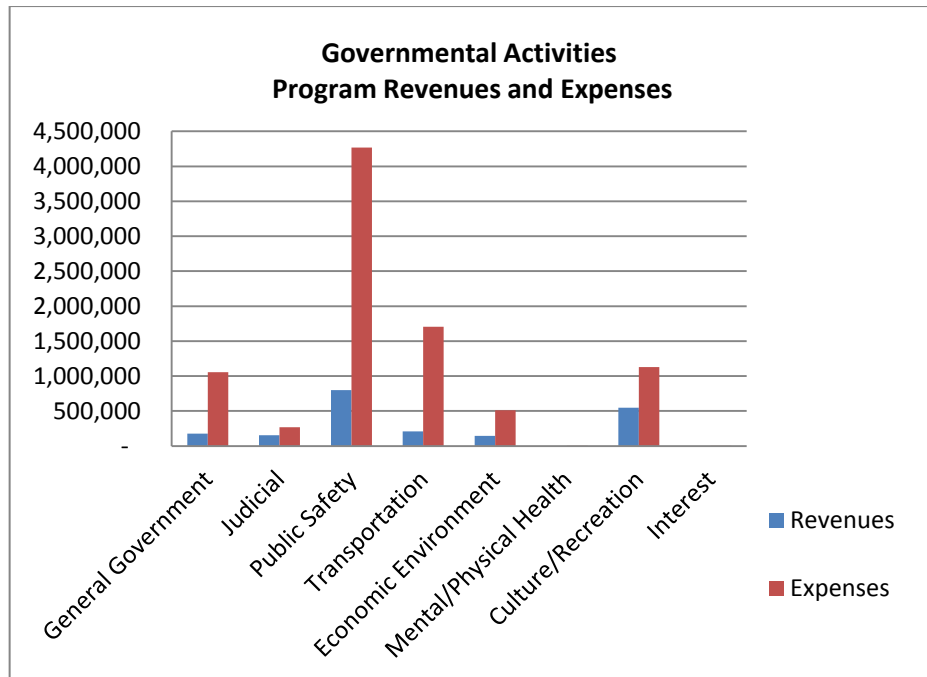
CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

Key elements of this change in net position are displayed on the table as follows:

| City of Cheney, Washington – Statement of Activities | | | | | | |
|--|-------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| <i>Revenues:</i> | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$1,434,816 | \$1,626,474 | \$11,966,896 | \$11,787,338 | \$13,401,712 | \$13,413,812 |
| Operating Grants/Contributions | 408,846 | 636,085 | 308,605 | 13,331 | 717,451 | 649,416 |
| Capital Grants/Contributions | 192,017 | 1,251,509 | 217,919 | 302,681 | 409,936 | 1,554,190 |
| General Revenues | | | | | | |
| Property Tax | 1,430,765 | 1,382,582 | - | - | 1,430,765 | 1,382,582 |
| Retail Sales/Use Tax | 1,654,818 | 1,705,064 | - | - | 1,654,818 | 1,705,064 |
| Utility Tax | 2,009,426 | 1,912,073 | - | - | 2,009,426 | 1,912,073 |
| Other | 528,921 | 637,598 | - | - | 528,921 | 637,598 |
| <i>Total Revenue</i> | <i>7,659,609</i> | <i>9,151,385</i> | <i>12,493,420</i> | <i>12,103,350</i> | <i>20,153,029</i> | <i>21,254,735</i> |
| <i>Expenses:</i> | | | | | | |
| General Government | 1,055,252 | 1,037,765 | - | - | 1,055,252 | 1,037,765 |
| Judicial | 269,244 | 247,767 | - | - | 269,244 | 247,767 |
| Public Safety | 4,268,309 | 4,357,885 | - | - | 4,268,309 | 4,357,885 |
| Physical Environment | 0 | 27,443 | - | - | 0 | 27,443 |
| Transportation | 1,704,384 | 1,640,288 | - | - | 1,704,384 | 1,640,288 |
| Economic Environment | 511,715 | 697,228 | - | - | 511,715 | 697,228 |
| Mental/Physical Health | 2,090 | 2,693 | - | - | 2,090 | 2,693 |
| Culture and Recreation | 1,130,377 | 1,117,811 | - | - | 1,130,377 | 1,117,811 |
| Interest | 636 | 1,307 | - | - | 636 | 1,307 |
| Electric | - | - | 7,914,737 | 7,763,560 | 7,914,737 | 7,763,560 |
| Water | - | - | 1,309,694 | 1,215,378 | 1,309,694 | 1,215,378 |
| Solid Waste | - | - | 1,462,500 | 1,509,675 | 1,462,500 | 1,509,675 |
| Sewer | - | - | 2,664,794 | 2,697,365 | 2,664,794 | 2,697,365 |
| <i>Total Expenses</i> | <i>8,942,007</i> | <i>9,130,187</i> | <i>13,351,725</i> | <i>13,185,978</i> | <i>22,293,732</i> | <i>22,316,165</i> |
| Adjustment to Net Position | -21,253 | -4,924 | 86,058 | -8,653 | 64,805 | -13,577 |
| Adjustment to Capital Assets | - | - | - | - | - | - |
| Change in Net Position | -1,282,398 | 21,198 | -858,305 | -1,082,628 | -2,140,703 | -1,061,430 |
| Net Position – January 1 | 19,663,704 | 19,647,430 | 21,844,504 | 22,935,785 | 41,508,208 | 42,583,215 |
| Net Position – December 31 | 18,360,053 | \$19,663,704 | \$21,072,257 | \$21,844,504 | \$39,432,310 | \$41,508,208 |

- Sales tax revenue was reduced slightly in 2013 from an all-time high in 2012 with an approximate decrease of -\$50,200. The large on-going projects from the past several years were completed in 2013. Large projects such as the construction of the middle school in combination with the continuation of building at Eastern Washington University and some multi-family developments have all contributed to the upswing in sales tax in 2012 and, with their completion, the slight decrease in 2013.
- Utility tax was increased in 2013 by approximately \$97,400. The combination of growth in multi-family housing, a normal winter and summer season, and a minor water rate increase all contributed to the increase in revenue.

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Management's Discussion and Analysis
For the Year Ended December 31, 2013



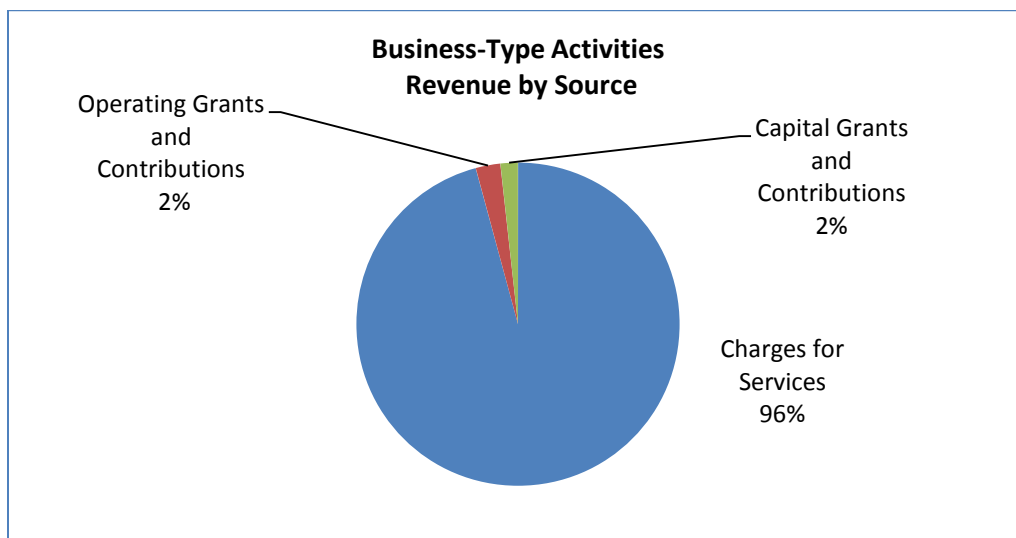
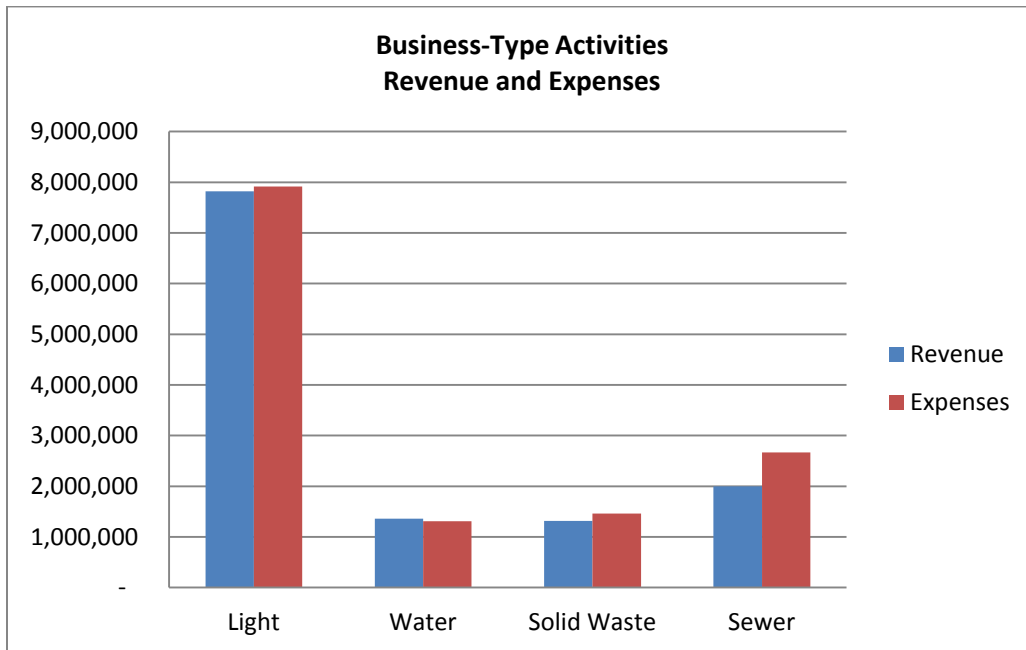
Business-Type Activities

Business-type activities net position decreased in 2013 by -\$858,305 although this decrease in net position is an improvement of approximately \$224,323 over 2012.

- Revenues in 2013 increased slightly with a minor water rate adjustment and connect fees from growth.

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Management's Discussion and Analysis
For the Year Ended December 31, 2013

- Expenses increased in all proprietary funds, most notably in purchase power in the light fund.
- The Water Fund, benefiting from a minor rate increase, closed 2013 in a positive position.



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

As noted earlier, the City of Cheney uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

Governmental Funds

The focus of the City of Cheney's governmental funds is to provide information on near-term inflows, outflows, and balances of non-spendable, restricted, committed, assigned and unassigned resources. Such information is useful in assessing the City of Cheney's financial requirements. An unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the close of 2013, the City of Cheney's governmental funds balance sheet reported combined ending fund balances (all types) of \$1,851,386, a decrease of \$175,820 in comparison with the prior year. The City of Cheney continues to study carefully the use of reserves to fund on-going activities and strives to control costs while optimizing revenues.

The general fund is the chief operating fund of the City of Cheney. At the close of 2013, \$1,099,656 is unassigned and available for spending at the City's discretion. As a measure of the general fund's liquidity, it may be useful to compare the total of unassigned, assigned and committed fund balance to total fund expenditures. In 2013, that fund balance ratio is 23% compared to 24% for the prior fiscal year.

Proprietary Funds

The City of Cheney's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The net position at the close of 2013 for all four utilities is as follows:

| City of Cheney, Washington – Recap of Proprietary Funds Net Position | | |
|--|---------------------------|--------------------|
| Fund | Unrestricted Net Position | Total Net Position |
| Light | \$3,242,032 | 9,281,316 |
| Water | -192,062 | 4,097,247 |
| Solid Waste | 644,348 | 1,883,413 |
| Sewer | 2,005,031 | 5,810,281 |
| <i>Total</i> | \$5,699,349 | \$21,072,257 |

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's general fund shows a significant budget variance in both the Intergovernmental revenues and the general governments expenditures. Both variances are a result of the charge back of governmental activities to the proprietary funds through the cost allocation process.

There were no budget amendments made to the general fund in 2013.

CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Cheney's investment in capital assets for its government and business-type activities as of December 31, 2013 amounts to \$42,272,549 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, infrastructure, machinery and equipment, and park facilities. The total decrease in the City of Cheney's investment in capital assets for the current fiscal year was 5% (-6% in governmental funds and -5% in business-type activities). See Note 6 for detailed capital asset disclosure.

Major capital assets events (over \$50,000) during 2013 included the following:

- Plunge Pool Land Donation
- Paver Project, Downtown
- Residential Road Project
- Water Main Project
- Well #1 & #2 Rehab Project

| City of Cheney, Washington – Capital Assets (net of depreciation) | | | | | | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$1,618,943 | \$1,567,393 | \$801,758 | \$801,758 | \$2,420,701 | \$2,369,151 |
| Buildings | 2,525,324 | 2,709,098 | 11,634,149 | 12,241,204 | 14,159,473 | 14,950,302 |
| Improvements | - | - | 1,915,580 | 1,957,152 | 1,915,580 | 1,957,152 |
| Infrastructure | 12,488,319 | 13,266,471 | 8,373,183 | 8,618,606 | 20,861,502 | 21,885,077 |
| Equipment | 903,430 | 1,058,703 | 2,011,863 | 2,235,996 | 2,915,293 | 3,294,699 |
| Construction in Progress | - | - | - | 118,067 | - | 118,067 |
| Total | \$17,536,016 | \$18,601,665 | \$24,736,533 | \$25,972,783 | \$42,272,549 | \$44,574,448 |

Long-Term Debt

At the end of 2013, the City of Cheney had long-term debt totaling \$9,599,904. Of this total debt, \$260,411 is due for Public Works Trust Fund Loans, \$8,939,479 represents Department of Ecology Loans, and \$400,014 comprises various governmental and business-type interfund loans.

| City of Cheney, Washington – Outstanding Debt | | | | | | |
|--|--------------------------------|-----------------|---------------------------------|---------------------|--------------------|---------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| PWKS Trust Fund | \$- | \$- | \$260,411 | \$284,084 | \$260,411 | \$284,084 |
| Department of Ecology | - | - | 8,939,479 | 9,606,455 | 8,939,479 | 9,606,455 |
| Interfund Loan | 125,014 | 35,778 | 275,000 | 370,000 | 400,014 | 405,778 |
| Total | \$125,014 | \$35,778 | \$9,474,890 | \$10,260,539 | \$9,599,904 | \$10,296,317 |

The City of Cheney's total long-term debt decreased by \$696,413 (7%). Please see Note 12 for additional detailed information.

CITY OF CHENEY, WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013

ECONOMIC FACTORS AND CHENEY IN THE FUTURE

The State of Washington operates primarily using property, sales, utility and gas taxes. In comparison, the City of Cheney primarily relies on sales, property and utility taxes, in addition to a limited array of permitted other taxes, fees, and state and federal grants to support governmental activities.

For business-type activities, the user pays a related fee for charges associated with the service. There are no governmental taxes or fees for business-type activities.

The sales tax revenue received by the City of Cheney is heavily tied to large capital and development projects both within our City limits and on the Eastern Washington University Campus. Recent projects have included the construction of a new dormitory and the completion of Patterson Hall. We continue to support the University in their efforts for bringing capital improvements to the university campus.

Cheney has completed the development of the Cheney Commerce Park and is excited to offer the opportunity for business and industry development and expansion in our community.

The City continues to look for and develop additional revenue sources to provide the governmental services our citizens have come to enjoy. The City of Cheney places a high emphasis on maintaining and enriching a high quality of life for our citizenry.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Cheney for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

Cindy Niemeier, Finance Director
City of Cheney, Washington
609 Second Street
Cheney, WA 99004

cityofcheney.org
cniemeier@cityofcheney.org

CITY OF CHENEY, WASHINGTON

Statement of Net Position December 31, 2013

| | Governmental Activities | Business-Type Activities | 2013 Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 1,778,061 | \$ 5,158,428 | \$ 6,936,489 |
| Investments | - | - | - |
| Restricted Assets | - | 526,913 | 526,913 |
| <i>Receivables:</i> | | | |
| Taxes(Utility and Property) | 257,241 | 1,204,740 | 1,461,981 |
| Accounts | 299,834 | 75,498 | 375,332 |
| Interfund Loan | 145,850 | 405,777 | 551,627 |
| Due from Other Governments | 117,458 | - | 117,458 |
| Materials and Supplies Inventory | 19,820 | 544,004 | 563,824 |
| Land | 1,618,943 | 801,758 | 2,420,701 |
| Depreciable Capital Assets, Net | 15,917,073 | 23,934,775 | 39,851,848 |
| Total Assets | 20,154,280 | 32,651,893 | 52,806,173 |
| Liabilities | | | |
| Accounts Payable | 151,280 | 565,445 | 716,725 |
| Custodial Accounts | - | 16,866 | 16,866 |
| Mitigation/Refunds/Retainage Payable | 105,487 | 6,490 | 111,977 |
| Unearned Revenue | 25,500 | - | 25,500 |
| Interest Payable - Current Debt | - | 6,563 | 6,563 |
| Capital Lease Payable | 10,150 | - | 10,150 |
| Interfund Loan Payable - (Due in one year) | 56,613 | 95,000 | 151,613 |
| External Debt Payable - (Due in one year) | - | 690,648 | 690,648 |
| Wages Payable | - | 8,289 | 8,289 |
| <i>Long-Term Liabilities:</i> | | | |
| Long Term Debt | - | 9,199,890 | 9,199,890 |
| Capital Lease | 22,065 | - | 22,065 |
| Compensated Absences Payable | 614,884 | 334,668 | 949,552 |
| Other Post Employment Benefits Payable | 665,234 | - | 665,234 |
| Interfund Loan Payable | 125,014 | 275,000 | 400,014 |
| Consumer Deposits | - | 380,777 | 380,777 |
| Total Liabilities | 1,776,227 | 11,579,636 | 13,355,863 |
| Deferred Inflows of Resources | | | |
| Grants Received in Advance | 18,000 | - | 18,000 |
| Total Deferred inflows of Resources | 18,000 | - | 18,000 |
| Net Position | | | |
| Net Investment in Capital Assets | 17,536,016 | 14,845,995 | 32,382,011 |
| Restricted for: | - | - | - |
| Inventories and restricted purposes | 443,660 | - | 443,660 |
| Consumer Deposits/Aged Checks | - | 380,777 | 380,777 |
| Debt Service | - | 146,136 | 146,136 |
| Unrestricted (Deficit) | 380,377 | 5,699,349 | 6,079,726 |
| Total Net Position | \$ 18,360,053 | \$ 21,072,257 | \$ 39,432,310 |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON
Statement of Activities
For the Fiscal Year Ended December 31, 2013

| | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Assets | | |
|----------------------------------|------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|---------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | 1,055,252 | 118,355 | 60,709 | - | (876,188) | | (876,188) |
| Judicial | 269,244 | 9,471 | 146,188 | - | (113,585) | | (113,585) |
| Public Safety | 4,268,309 | 729,948 | 71,524 | - | (3,466,837) | | (3,466,837) |
| Transportation | 1,704,384 | 112,381 | 27,408 | 67,717 | (1,496,878) | | (1,496,878) |
| Economic Environment | 511,715 | 142,281 | 1,381 | - | (368,053) | | (368,053) |
| Mental and Physical Health | 2,090 | - | - | - | (2,090) | | (2,090) |
| Culture and Recreation | 1,130,377 | 322,380 | 101,636 | 124,300 | (582,061) | | (582,061) |
| Interest | 636 | - | - | - | (636) | | (636) |
| Total Governmental Activities | 8,942,007 | 1,434,816 | 408,846 | 192,017 | (6,906,328) | - | (6,906,328) |
| Business-Type Activities: | | | | | | | |
| Light | 7,914,737 | 7,575,682 | 112,124 | 134,001 | | (92,930) | (92,930) |
| Water | 1,309,694 | 1,165,120 | 150,781 | 43,045 | | 49,252 | 49,252 |
| Solid Waste | 1,462,500 | 1,284,368 | 31,161 | - | | (146,971) | (146,971) |
| Sewer | 2,664,794 | 1,941,726 | 14,539 | 40,873 | | (667,656) | (667,656) |
| Total Business-Type Activities | 13,351,725 | 11,966,896 | 308,605 | 217,919 | - | (858,305) | (858,305) |
| Total Government | 22,293,732 | 13,401,712 | 717,451 | 409,936 | (6,906,328) | (858,305) | (7,764,633) |
| | | | Property Taxes | | 1,430,765 | | 1,430,765 |
| | | | Retail Sales & Use Tax | | 1,654,818 | | 1,654,818 |
| | | | Utility Taxes | | 2,009,426 | | 2,009,426 |
| | | | Excise Taxes | | 523,708 | | 523,708 |
| | | | Settlements/Judgements | | 2,078 | | 2,078 |
| | | | Interest | | 3,135 | | 3,135 |
| Total General Revenues | | | | | 5,623,930 | | 5,623,930 |
| Change in Net Position | | | | | (1,282,398) | (858,305) | (2,140,703) |
| Net Position - Beginning of Year | | | | | 19,663,704 | 21,844,504 | 41,508,208 |
| | | | | | - | - | - |
| Adjustment to Net Position | | | | | (21,253) | 86,058 | 64,805 |
| Net Position - End of Year | | | | | \$ 18,360,053 | \$ 21,072,257 | \$ 39,432,310 |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON

Balance Sheet Governmental Funds December 31, 2013

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| Assets and Outflows of Resources | | | |
| Cash and Cash Equivalents | \$ 985,381 | \$ 710,175 | \$ 1,695,556 |
| Investments | - | - | - |
| Receivables | | | |
| Taxes - Property | 47,709 | 9,903 | 57,612 |
| Taxes - Utility | 100,678 | 98,951 | 199,629 |
| Municipal Court | 269,115 | - | 269,115 |
| Interfund loan | 145,850 | - | 145,850 |
| Other | 20,123 | 10,200 | 30,323 |
| Inventories | - | 14,314 | 14,314 |
| Due from Other Governments | 13,255 | 104,203 | 117,458 |
| Total Assets | <u>1,582,111</u> | <u>947,746</u> | <u>2,529,857</u> |
| Liabilities , Deferred Inflows and Fund Balances | | | |
| Liabilities: | | | |
| Accounts Payable | 98,118 | 31,290 | 129,408 |
| Retainage Payable | | 66,621 | 66,621 |
| Refunds Payable | | 2,412 | 2,412 |
| Mitigation Payable | - | 25,754 | 25,754 |
| Lease Payable | - | | - |
| Interfund Loan Payable | 35,777 | 145,850 | 181,627 |
| Deferred Revenue | 218,449 | | 218,449 |
| Unearned Revenue | | 25,500 | 25,500 |
| Performance Bond Payable | - | 10,700 | 10,700 |
| Total Liabilities | <u>352,344</u> | <u>308,127</u> | <u>660,471</u> |
| Deferred Inflows of Resources | | | |
| Grants Received in Advance | 18,000 | - | 18,000 |
| Total Deferred inflows of Resources | <u>18,000</u> | <u>-</u> | <u>18,000</u> |
| Fund Balances | | | |
| <i>Nonspendable</i> | - | 14,314 | 14,314 |
| <i>Restricted</i> | 18,000 | 411,346 | 429,346 |
| <i>Committed</i> | - | 128,692 | 128,692 |
| <i>Assigned</i> | 94,111 | 212,686 | 306,797 |
| <i>Unassigned</i> | 1,099,656 | (127,419) | 972,237 |
| Total Fund Balance | <u>1,211,767</u> | <u>639,619</u> | <u>1,851,386</u> |
| Total Liabilities, Deferred Inflows and Fund Balance | <u>\$ 1,582,111</u> | <u>\$ 947,746</u> | <u>\$ 2,529,857</u> |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Total Governmental Fund Balances: \$ 1,851,386

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | | |
|--------------------------------|---------------------|------------|
| Land | 1,618,943 | |
| Buildings and structures | 4,603,431 | |
| Improvements | 1,765 | |
| Infrastructure | 23,531,493 | |
| Machinery and Equipment | 3,221,931 | |
| Less: Accumulated Depreciation | <u>(15,522,523)</u> | 17,455,040 |

Municipal Court receivables are reported at the fund level with current year deferred liabilities. The government wide statement does not report the current year liability. 218,449

Long-term liabilities, including compensated absences payable are not due and payable in the current period and therefore, are not reported in the governmental funds. (614,884)

Long-term liabilities, including other post employment benefits payable are not due and payable in the current period and therefore, are not reported in the governmental funds. (665,234)

Long-Term liabilities, including capital lease payable, are not due and payable in the current period and therefore, are not reported in the governmental funds. (32,215)

Internal service funds are used by management to charge the costs of certain activities to individual funds. Total assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 147,511

Net Position of Governmental Activities \$ 18,360,053

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2013

| | General | Other | Total |
|---------------------------------------|--------------|--------------|--------------|
| | Fund | Governmental | Governmental |
| | | Funds | Funds |
| Revenues | | | |
| Taxes | \$ 3,697,092 | \$ 1,498,293 | 5,195,385 |
| Licenses and Permits | 160,139 | 19,727 | 179,866 |
| Intergovernmental | 307,843 | 355,660 | 663,503 |
| Charges for Services | 791,048 | 339,213 | 1,130,261 |
| Fines and Forfeits | 168,987 | - | 168,987 |
| Miscellaneous | 16,253 | 81,148 | 97,401 |
| Total Revenues | 5,141,362 | 2,294,041 | 7,435,403 |
| Expenditures | | | |
| General Government | 1,064,549 | 49,912 | 1,114,461 |
| Public Safety | 3,572,177 | 503,430 | 4,075,607 |
| Economic Environment | 531,169 | 8,190 | 539,359 |
| Mental and Physical Health | 2,090 | - | 2,090 |
| Culture and Recreation | 1,697 | 923,914 | 925,611 |
| Transportation | - | 461,174 | 461,174 |
| Debt Service: Principal | 11,815 | - | 11,815 |
| Debt Service: Interest | 167 | 469 | 636 |
| Street Construction | - | 471,288 | 471,288 |
| Purchase of Capital Assets | 60,398 | - | 60,398 |
| Total Expenditures | 5,244,062 | 2,418,377 | 7,662,439 |
| Excess of Revenues over Expenditures | (102,700) | (124,336) | (227,036) |
| Other Financing Sources (Uses) | | | |
| Insurance Proceeds | - | 1,820 | 1,820 |
| Proceeds from Sale of Capital Assets | 2,185 | 24,435 | 26,620 |
| Capital Lease | 44,030 | - | 44,030 |
| Transfers In | - | 230,000 | 230,000 |
| Transfers Out | (200,000) | (30,000) | (230,000) |
| Total Other Financing Sources (Uses) | (153,785) | 226,255 | 72,470 |
| Net Change in Fund Balances | (256,485) | 101,919 | (154,566) |
| Fund Balances - Beginning of Year | 1,468,252 | 558,953 | 2,027,205 |
| Fund Balance Adjustment (Note 19) | - | (21,253) | (21,253) |
| Total Fund Balance End of Year | \$ 1,211,767 | \$ 639,619 | \$ 1,851,386 |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON
Reconciliation of Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2013

Net Change in Fund Balance - Total Governmental Funds \$ (154,566)

Amounts reported for Governmental activities in the statement of activities are different because:

Internal Service Funds are not included in the Statement of Revenues, Expenditures and Changes in Fund Balances. Those Internal Service Funds are included in the Governmental Activities section of the Statement of Activities because they directly benefit governmental funds. This is the net change in position for the Internal Service Funds (5,705)

Depreciation Expense, Depreciation Adjustment, and Wages Payable for Governmental Funds are not included in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance. They are included in the Governmental Funds on the Statement of Activities. (1,633,193)
(25,776)
36,632

Other Post Employment Benefits Payable for Governmental Funds are not included in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance. The difference of the OPEB Liability and the actual amount paid on the "pay as you go basis" is included in the Governmental Funds on the Statement of Activities. (69,238)

Debt Service (lease payment) made on the new Capital Lease is removed from governmental expenditures and a reduction of the Long-Term Liability is made. 11,815

Capital Items are included on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance. These expenses are moved to capital assets on the Statement of Net Position and are not shown on the Statement of Activities. Annual Depreciation is given in the Statement of Activities to show assets as they are used. 531,686
68,650

Removal of other financing sources from capital leases (44,030)

Governmental fund statements report the current year uncollected revenue. The government-wide statements include the past two years as part of the reported revenue. This amount is the difference between the total court receivable and the deferred revenue. 1,327

Change in Net Position of Governmental Activities \$ (1,282,398)

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Year Ended December 31, 2013

| | Budgeted Amounts | | Actual | Variance with |
|---------------------------------------|------------------|--------------|--------------|---------------------------------------|
| | Original | Final | Amounts | Final Budget - Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 3,692,700 | \$ 3,692,700 | \$ 3,697,092 | \$ 4,392 |
| Licenses and Permits | 245,000 | 245,000 | 160,139 | (84,861) |
| Intergovernmental | 1,981,200 | 1,981,200 | 307,843 | (1,673,357) |
| Charges for Services | 285,900 | 285,900 | 791,048 | 505,148 |
| Fines and Forfeits | 209,300 | 209,300 | 168,987 | (40,313) |
| Miscellaneous | 12,200 | 12,200 | 16,238 | 4,038 |
| Non-Revenue | 400 | 400 | 15 | (385) |
| Total Revenues | 6,426,700 | 6,426,700 | 5,141,362 | (1,285,338) |
| Expenditures | | | | |
| General Government | 2,448,400 | 2,448,400 | 1,064,549 | 1,383,851 |
| Public Safety | 3,575,600 | 3,575,600 | 3,572,177 | 3,423 |
| Physical Environment | | - | - | - |
| Economic Environment | 576,500 | 576,500 | 531,169 | 45,331 |
| Mental and Physical Health | 2,600 | 2,600 | 2,090 | 510 |
| Culture and Recreation | 3,000 | 3,000 | 1,697 | 1,303 |
| Capital Lease | - | - | 44,030 | (44,030) |
| Capital | | | 16,368 | (16,368) |
| Debt Service: Principal | - | - | 11,815 | (11,815) |
| Debt Service: Interest | - | - | 167 | (167) |
| Total Expenditures | 6,606,100 | 6,606,100 | 5,244,062 | 1,362,038 |
| Excess of Revenues over Expenditures | (179,400) | (179,400) | (102,700) | 76,700 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Asset | | - | 2,185 | 2,185 |
| Capital Lease - Police Vehicle | | | 44,030 | 44,030 |
| Operating Transfers In | - | - | - | - |
| Operating Transfers Out | (200,000) | (200,000) | (200,000) | - |
| Total Other Financing Sources (Uses) | (200,000) | (200,000) | (153,785) | 46,215 |
| Net Change in Fund Balances | (379,400) | (379,400) | (256,485) | 122,915 |
| Fund Balances - Beginning of Year | 379,400 | 379,400 | 1,468,252 | 1,088,852 |
| Fund Balance Adjustment (Note 19) | - | - | - | - |
| Total Fund Balance - End of Year | \$ - | \$ - | \$ 1,211,767 | \$ 1,211,767 |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON

Statement of Net Position

Proprietary Funds

December 31, 2013

| | Light | Water | Solid Waste | Sewer | Total Major Funds | Total Enterprise Funds | Internal Service Funds |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|------------------------------|------------------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ 3,100,152 | \$ 86,722 | \$ 582,920 | \$ 1,388,634 | \$ 5,158,428 | \$ 5,158,428 | \$ 82,505 |
| Investments | - | - | - | - | - | - | - |
| <i>Receivables</i> | | | | | | | |
| Utility | 849,074 | 75,319 | 108,810 | 171,537 | 1,204,740 | 1,204,740 | - |
| Other | 16,355 | 19,616 | 29,557 | 9,970 | 75,498 | 75,498 | 396 |
| Interfund loan | - | - | - | 405,777 | 405,777 | 405,777 | - |
| Inventories | 282,424 | 56,793 | - | 204,787 | 544,004 | 544,004 | 5,506 |
| Total Current Assets | 4,248,005 | 238,450 | 721,287 | 2,180,705 | 7,388,447 | 7,388,447 | 88,407 |
| <i>Noncurrent Assets</i> | | | | | | | |
| Restrcted cash, cash equiv, & Invest | | | | | | | |
| Debt Service Covenant | - | - | - | 146,136 | 146,136 | 146,136 | - |
| Custodial | 380,327 | - | 450 | - | 380,777 | 380,777 | - |
| Total Restricted Assets | 380,327 | - | 450 | 146,136 | 526,913 | 526,913 | - |
| <i>Capital Assets</i> | | | | | | | |
| Land | 64,726 | 1,894 | - | 735,138 | 801,758 | 801,758 | - |
| Building and Structures | 3,854,771 | 2,515,882 | 697,831 | 13,837,115 | 20,905,599 | 20,905,599 | - |
| Other Improvements | 219,089 | 36,535 | 194,324 | 1,862,323 | 2,312,271 | 2,312,271 | 2,833 |
| Machinery and Equipment | 1,672,461 | 396,052 | 1,268,689 | 2,340,596 | 5,677,798 | 5,677,798 | 525,604 |
| Infrastructure | 8,834,458 | 6,219,102 | - | 7,853,215 | 22,906,775 | 22,906,775 | - |
| Construction in Progress | - | - | - | - | - | - | - |
| Less: Accumulated Depr | (8,986,548) | (4,880,156) | (922,229) | (13,078,735) | (27,867,668) | (27,867,668) | (447,461) |
| Total Capital Assets | | | | | | | |
| (net of accumulated depr) | 5,658,957 | 4,289,309 | 1,238,615 | 13,549,652 | 24,736,533 | 24,736,533 | 80,976 |
| Total Noncurrent Assets | 6,039,284 | 4,289,309 | 1,239,065 | 13,695,788 | 25,263,446 | 25,263,446 | 80,976 |
| Total Assets | 10,287,289 | 4,527,759 | 1,960,352 | 15,876,493 | 32,651,893 | 32,651,893 | 169,383 |
| Liabilities | | | | | | | |
| <i>Current Liabilities</i> | | | | | | | |
| Accounts Payable | 454,643 | 21,286 | 54,496 | 35,020 | 565,445 | 565,445 | 21,872 |
| Retainage Payable | - | 6,043 | - | 447 | 6,490 | 6,490 | - |
| <i>Loans Payable: Short Term</i> | | | | | | | |
| Interfund (due in 2014) | - | 95,000 | - | - | 95,000 | 95,000 | - |
| External (due in 2014) | - | - | - | 690,648 | 690,648 | 690,648 | - |
| Custodial | 795 | - | - | - | 795 | 795 | - |
| Wages Payable | 8,289 | - | - | - | 8,289 | 8,289 | - |
| Customer Payments Held | 16,071 | - | - | - | 16,071 | 16,071 | - |
| Total Current Liabilities | 479,798 | 122,329 | 54,496 | 726,115 | 1,382,738 | 1,382,738 | 21,872 |
| Noncurrent Liabilities | | | | | | | |
| Loans Payable | - | - | - | 9,199,890 | 9,199,890 | 9,199,890 | - |
| Accrued Interest Payable | - | - | - | 6,563 | 6,563 | 6,563 | - |
| Interfund Loan Payable | - | 275,000 | - | - | 275,000 | 275,000 | - |
| Consumer Deposits Payable | 380,327 | - | 450 | - | 380,777 | 380,777 | - |
| Compensated Absences | 145,848 | 33,183 | 21,993 | 133,644 | 334,668 | 334,668 | - |
| Total Noncurrent Liabilities | 526,175 | 308,183 | 22,443 | 9,340,097 | 10,196,898 | 10,196,898 | - |
| Total Liabilities | 1,005,973 | 430,512 | 76,939 | 10,066,212 | 11,579,636 | 11,579,636 | 21,872 |
| Net Position | | | | | | | |
| Net Investment in Capital Assets | 5,658,957 | 4,289,309 | 1,238,615 | 3,659,114 | 14,845,995 | 14,845,995 | 80,976 |
| Restricted | 380,327 | - | 450 | 146,136 | 526,913 | 526,913 | - |
| Unrestricted | 3,242,032 | (192,062) | 644,348 | 2,005,031 | 5,699,349 | 5,699,349 | 66,535 |
| Total Net Position | \$ 9,281,316 | \$ 4,097,247 | \$ 1,883,413 | \$ 5,810,281 | \$ 21,072,257 | \$ 21,072,257 | \$ 147,511 |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2013

| | Light | Water | Solid Waste | Sewer | Total Major Funds | Total Enterprise Funds | Internal Service Funds |
|---|---------------------|---------------------|---------------------|---------------------|-------------------------|------------------------------|------------------------------|
| Operating Revenues: | | | | | | | |
| Charges for Services | \$ 7,558,687 | \$ 1,159,941 | \$ 1,277,849 | \$ 1,932,076 | \$ 11,928,553 | \$ 11,928,553 | \$ 123,359 |
| Other Operating Revenues | 16,995 | 5,179 | 6,519 | 9,650 | 38,343 | 38,343 | - |
| Total Operating Revenues | 7,575,682 | 1,165,120 | 1,284,368 | 1,941,726 | 11,966,896 | 11,966,896 | 123,359 |
| Operating Expenses: | | | | | | | |
| Purchased Power | 4,989,046 | - | - | - | 4,989,046 | 4,989,046 | - |
| Administration | 432,766 | 407,498 | 111,277 | 964,639 | 1,916,180 | 1,916,180 | 124,480 |
| Taxes | 280,603 | 58,129 | 20,829 | 54,931 | 414,492 | 414,492 | - |
| Depreciation | 594,842 | 288,146 | 162,196 | 902,404 | 1,947,588 | 1,947,588 | 7,014 |
| Recycling Center/Litter Control | - | - | 15,228 | - | 15,228 | 15,228 | - |
| Solid Waste Collection | - | - | 953,416 | - | 953,416 | 953,416 | - |
| Maintenance | 941,889 | 381,163 | 123 | 358,518 | 1,681,693 | 1,681,693 | - |
| Customer Accounting/Marketing | 592,779 | 165,069 | 199,431 | 366,604 | 1,323,883 | 1,323,883 | - |
| Fiber Operations | 18,468 | - | - | - | 18,468 | 18,468 | - |
| Total Operating Expenses | 7,850,393 | 1,300,005 | 1,462,500 | 2,647,096 | 13,259,994 | 13,259,994 | 131,494 |
| Operating Income (Loss) | (274,711) | (134,885) | (178,132) | (705,370) | (1,293,098) | (1,293,098) | (8,135) |
| NonOperating Revenues | | | | | | | |
| Investment Earnings | 3,258 | 52 | 894 | 11,967 | 16,171 | 16,171 | 60 |
| Interest Expense | - | (9,689) | - | (17,698) | (27,387) | (27,387) | - |
| Miscellaneous Revenue | 108,866 | 19,345 | - | 445 | 128,656 | 128,656 | - |
| Intergovernmental | - | 131,384 | 29,557 | - | 160,941 | 160,941 | - |
| Sale of Salvage | - | - | 710 | 2,127 | 2,837 | 2,837 | - |
| Sale of Capital Asset | - | - | - | - | - | - | 2,370 |
| Conservation | (64,344) | - | - | - | (64,344) | (64,344) | - |
| Total Nonoperating Revenue/ (Expenses) | 47,780 | 141,092 | 31,161 | (3,159) | 216,874 | 216,874 | 2,430 |
| Income (loss) before contributions | (226,931) | 6,207 | (146,971) | (708,529) | (1,076,224) | (1,076,224) | (5,705) |
| Capital Contributions | 134,001 | 43,045 | - | 40,873 | 217,919 | 217,919 | - |
| Increase (Decrease) in Net Position | (92,930) | 49,252 | (146,971) | (667,656) | (858,305) | (858,305) | (5,705) |
| Net Position, January 1 | 9,289,775 | 4,047,716 | 2,030,061 | 6,476,952 | 21,844,504 | 21,844,504 | 153,216 |
| Adjustment to Net Position , See Note 19 | 84,471 | 279 | 323 | 985 | 86,058 | 86,058 | - |
| Net Position, December 31 | \$ 9,281,316 | \$ 4,097,247 | \$ 1,883,413 | \$ 5,810,281 | \$ 21,072,257 | \$ 21,072,257 | \$ 147,511 |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON
Statement of Cash Flow
Proprietary Funds
For the Fiscal Year Ended December 31, 2013

| | Light | Water | Solid Waste | Sewer | Total Major Funds | Total Enterprise Funds | Internal Service Funds |
|--|--------------|--------------|----------------|--------------|-------------------------|------------------------------|------------------------------|
| Cash Flow from Operating Activity | | | | | | | |
| Received from Customers | \$ 7,519,009 | \$ 1,168,363 | \$ 1,291,261 | \$ 1,947,817 | \$ 11,926,450 | \$ 11,926,450 | \$ 122,963 |
| Payments for goods and services | (7,183,810) | (996,543) | (1,299,453) | (1,754,941) | (11,234,747) | (11,234,747) | (122,640) |
| Net cash provided by operations | \$ 335,199 | \$ 171,820 | \$ (8,192) | \$ 192,876 | \$ 691,703 | \$ 691,703 | \$ 323 |
| Cash Flow Non Capital Financing Activities | | | | | | | |
| Received from other sources | 334,732 | 62,778 | 1,056 | 44,514 | 443,080 | 443,080 | 2,370 |
| Payments nonoperating expense | (80,699) | - | - | - | (80,699) | (80,699) | - |
| Interest on interfund loan | 243 | (9,264) | - | 10,295 | 1,274 | 1,274 | - |
| Interfund Loan | 14,020 | (95,000) | - | 427,778 | 346,798 | 346,798 | - |
| Net cash nonoperating activities | 268,296 | (41,486) | 1,056 | 482,587 | 710,453 | 710,453 | 2,370 |
| Cash Flow from Investing Activities | | | | | | | |
| Receipts of interest & dividends | 3,607 | 52 | 894 | 1,672 | 6,225 | 6,225 | 60 |
| Net cash investing activity | 3,607 | 52 | 894 | 1,672 | 6,225 | 6,225 | 60 |
| Cash Flow Capital Financing | | | | | | | |
| Received from grants and loans | - | 123,595 | - | - | 123,595 | 123,595 | - |
| Payments/interest on debts | - | (42,420) | - | (706,402) | (748,822) | (748,822) | - |
| Payments for capital acquisitions | (335,664) | (223,551) | (22,838) | (129,286) | (711,339) | (711,339) | - |
| Net cash used in capital financing | (335,664) | (142,376) | (22,838) | (835,688) | (1,336,566) | (1,336,566) | - |
| Net Increase in cash equivalents | 271,438 | (11,990) | (29,080) | (158,553) | 71,815 | 71,815 | 2,753 |
| Cash and Equivalents, January 1 | 3,209,041 | 98,712 | 612,450 | 1,693,323 | 5,613,526 | 5,613,526 | 79,752 |
| Cash and Equivalents, December 31 | \$ 3,480,479 | \$ 86,722 | \$ 583,370 | \$ 1,534,770 | \$ 5,685,341 | \$ 5,685,341 | \$ 82,505 |
| Reconciliation of operating income to net cash provided (used) by operating activities | | | | | | | |
| Operating Income (Loss) | \$ (274,711) | \$ (134,885) | \$ (178,132) | \$ (705,370) | \$ (1,293,098) | \$ (1,293,098) | \$ (8,135) |
| Adjustments used to reconcile operating income to net cash provided (used) by operating activities | | | | | | | |
| Depreciation | 594,842 | 288,146 | 162,196 | 902,404 | 1,947,588 | 1,947,588 | 7,014 |
| (Increase) decrease in acct receivable | (56,673) | 3,243 | 6,893 | 6,091 | (40,446) | (40,446) | (396) |
| (Increase) decrease in inventories | 14,294 | 16,601 | - | (12,889) | 18,006 | 18,006 | 1,452 |
| Increase (decrease) in acct payable | (28,311) | 5,932 | 201 | (7,550) | (29,728) | (29,728) | 388 |
| Increase (decrease) in compensated absences payable | 5,364 | (7,496) | 327 | 9,205 | 7,400 | 7,400 | - |
| Increase (decrease) customer credits | (4,077) | - | - | - | (4,077) | (4,077) | - |
| Adjustment to Net Position - See Note 19 | 84,471 | 279 | 323 | 985 | 86,058 | 86,058 | - |
| Total Adjustments | 609,910 | 306,705 | 169,940 | 898,246 | 1,984,801 | 1,984,801 | 8,458 |
| Net Cash Provided by Operating Activities | \$ 335,199 | \$ 171,820 | \$ (8,192) | \$ 192,876 | \$ 691,703 | \$ 691,703 | \$ 323 |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2013

| | Agency Funds |
|---------------------------------------|---------------|
| | 2013 |
| Assets | |
| Cash and Cash Equivalents | \$ 28,560 |
| Receivable | 45 |
| Investments | - |
| Total Assets | 28,605 |
| Deferred Outflows of Resources | - |
| Liabilities | |
| Held for Future Year Disbursement | 28,605 |
| Accounts Payable | - |
| Total Liabilities | 28,605 |
| Deferred Inflows of Resources | - |
| Net Position | \$ - |

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of the City of Cheney have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Cheney was incorporated November 28, 1883 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 governed by an elected mayor and seven elected council members.

The City's financial statements include the financial position and results of operations of all funds that are controlled by or dependent on the City. The financial statements include the assets and liabilities of all funds for which the City has a custodial or trust responsibility.

Control by the City was determined on the basis of budget adoption and resource allocation criteria. Dependence on the City was determined by the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total non-grant resources. Applying these criteria, the financial statements do not include the financial position or results of operations for:

Spokane County Library District. The City does not review their budget and is not responsible for the District's debt. The City does have an agreement with the District to provide space for the library.

Spokane County Air Pollution Control Authority. The City has no involvement in the Authority's budget, enforcement or maintenance. The authority for this organization is granted by the State and makes mandatory membership of all small cities. Contributions from the cities are set by formula and are mandatory.

Spokane County Alcoholism Program. The City has no alcoholism program; thus the County handles all programs relating to alcoholism for all cities without appropriate programs. State law allows for this type of arrangement whenever a city cannot put in place a program. Assessment is a percentage of the alcohol tax which is disbursed to the County to conduct the alcoholism program.

B. Government-Wide and Fund Financial Statements

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

business-type activities of the City. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees and charges for support. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by the given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, utility taxes, licenses, and interest are considered to be subject to accrual. Sales taxes are not accrued and are recognized when received as sales tax disbursements are made by the State of Washington two months after reported from the business. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City's general spending prioritization policy is to consider restricted resources first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The City of Cheney reports the following major governmental fund:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City of Cheney reports the following major enterprise funds:

Light Fund. This fund accounts for the operations of providing electrical utility services.

Water Fund. This fund accounts for operations of providing water utility services.

Solid Waste Fund. This fund accounts for the operations of providing solid waste collection and recycling services.

Sewer Fund. This fund accounts for the operations of providing wastewater collection and wastewater treatment services.

The City of Cheney reports the following fund types:

Internal Service Funds. These funds account for unemployment compensation and equipment rental provided to other departments on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated for the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for all funds, except for agency funds. Governmental fund budgets are adopted on the modified-accrual basis of accounting and the proprietary fund budgets are adopted using the accrual basis of accounting.

Annual appropriated budgets are adopted at the level of the fund, and the budgets constitute the legal authority of expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare budgeted amounts with actual revenues and expenditures. Annual appropriations for all funds lapse at year end.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Encumbrance accounting is employed in all funds. Encumbrances (purchase orders) outstanding at year end do not constitute expenditures or liabilities because commitments will be re-appropriated and honored during the subsequent year.

2. Amending the Budget

The Finance Director is authorized to transfer budgeted amounts between two object classes within departments, except for changes to salaries. Wages and related benefits can only be authorized by the Mayor or City Administrator. Any revisions that alter the total expenditures in a fund, or that affect the number of authorized employee positions, salary ranges, or other conditions of employment must be authorized by City Council.

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

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures over Appropriations

At the end of 2013, there was one fund with excess expenditures over appropriations. The Parks and Recreation fund was over budget by \$2,553. Analysis and increased supervision of the fund have been implemented to avoid the error in future fiscal years.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the City of Cheney's policy to invest all temporary cash surpluses. At December 31, 2013, the treasurer was holding \$4,922,604 in short term investment of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents as well as investments in various funds. The interest on these investments is prorated to the various funds.

The amounts reported as cash and cash equivalents can also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained during 2013 was \$3,143,674.

For purposes of the statement of cash flows, the City of Cheney considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments See (Deposits and Investments Note No. 4).

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

3. Receivables

Taxes receivable consist of both property tax receivables including property taxes and related interest and penalties (See Property Tax Note No. 5), and utility tax receivable at year end. Accrued interest receivable consists of amounts earned on investments at the end of the year.

There are currently the following utility taxes being assessed on City of Cheney utilities:

| | |
|-------------|----------|
| Electric | 14.75% * |
| Water | 11% |
| Solid Waste | 6% |
| Sewer | 11% |

*14.75% electric utility tax is broken down into 6% electric, 4% Residential Street, and 4.75% Parks and Recreation

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

4. Amounts Due to and from Other Funds and Governments and Interfund Loans

Activities between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as "interfund loans receivable/payable." A separate schedule of Interfund loans receivable and payable is furnished in (Interfund Balances and Transfers Note No. 15).

5. Inventories

Inventories on governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time the individual items are consumed. A comparison to market value is not necessary.

Inventories in proprietary funds are valued by the weighted average method which approximates to market value.

6. Restricted Assets and Liabilities

These accounts contain resources for debt service and utility consumer deposits in enterprise funds. Specific debt service requirements are described in (Long Term Debt Note No. 10).

The restricted assets of the enterprise funds are composed of the following:

| | |
|--|------------------|
| Light Fund – Utility Consumer Deposits | \$380,327 |
| Solid Waste Fund – Utility Consumer Deposits | 450 |
| Sewer Fund – Payment of Debt | <u>146,136</u> |
| Total | <u>\$526,913</u> |

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

7. Capital Assets See (Capital Assets Note No. 6)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City of Cheney as assets with an initial, individual cost of more than \$7,500 and an estimated useful life of five or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost for normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset, are not capitalized.

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|---------------------------------|--------------------------|---------------------|-----------------------|
| Building and Improvements | \$7,500 | Straight-Line | 10 - 40 Years |
| Equipment | \$7,500 | Straight-Line | 5 – 30 Years |
| Roads-Collectors and Arterials | \$7,500 | Straight-Line | 20 years |
| Electrical Distribution Systems | \$7,500 | Straight-Line | 20 – 30 Years |
| Water Systems | \$7,500 | Straight-Line | 20 – 100 Years |
| Sewer Collection and Treatment | \$7,500 | Straight-Line | 20 – 75 Years |

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Vacation pay may be accumulated and carried into future fiscal years, up to thirty (30) days. This leave is payable upon separation, retirement or death.

Department Heads, Mid-Management, and Management employees may accumulate a maximum sick leave of 180 days. 100% of outstanding sick leave up to 30 days, 31st – 180th day will be compensated at 25% upon retirement, separation, or death.

Non-union employees may accumulate a maximum sick leave of 180 days. 100% of outstanding sick leave up to 30 days, 31st – 180th day will be compensated at 25% upon retirement, separation, or death.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Sick leave may accumulate to a total of 180 days for AFSCME S members. 100% of outstanding sick leave for the 30 days, 25% for the 31st – 180th day is payable upon retirement or death. Upon separation or layoff, AFSCME S member is eligible for 25% of all sick leave over 480 hours.

Sick leave may accumulate to a total of 150 days for AFSCME C members. 100% of outstanding sick leave for the 24 days, 25% for 25th – 150th day is payable upon retirement, death, or layoff.

Members of IBEW may accumulate 120 days of sick leave and upon death, retirement, or permanent layoff after five (5) years of service will receive 100% of the first 24 days, and 25% of the remainder, in cash.

LEOFF II members of the IAFF may accumulate 40 shifts of sick leave and receive 25% upon retirement.

LEOFF II (law enforcement) may accumulate 120 days sick leave and will receive 25% upon retirement.

The City of Cheney accrual is based on 100% of hours accrued up to contracted limits, based on the vesting method.

| | Accumulated Sick | Vacation | Unpaid Amounts at 12/31/13 |
|--------------------|------------------|-----------|----------------------------|
| Governmental Funds | \$302,650 | \$312,234 | \$614,884 |
| Proprietary Funds | 195,589 | 139,079 | 334,668 |
| Total | \$498,239 | \$451,313 | \$949,552 |

The above table shows the sick and vacation accruals at December 31, 2013. In addition, there is \$8,289 accumulated as wages payable in Business Type Activities (Light Fund). Wages payable are disclosed, along with compensated absences accruals on the Statement of Net Position.

9. Other Post Employment Benefits See (Other Postemployment Benefit (OPEB) Plans Note No. 18)

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the fiscal year they are incurred.

10. Other Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the fund.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

11. Fund Balance Classification

The City of Cheney recognizes the following fund balance components per Government Accounting Standards Board (GASB) No. 54:

- **Nonspendable Fund Balance**
 - Portion of net resources that cannot be spent because of their form
 - Portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted Fund Balance**
 - Limitations imposed by creditors, grantor, contributors, or laws and regulations of other governments.
 - Limitations imposed by law through constitutional provisions or enabling legislation (RCW).
- **Committed Fund Balance**
 - Limitation imposed at the highest level of decision making.
 - Committed fund balance must be set annually by City Council.
- **Assigned Fund Balance**
 - Intended use by body designated for that purpose.
 - Assigned fund balance is set annually by Finance Committee of City Council.
- **Unassigned Fund Balance**
 - Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance.
 - Excess of nonspendable, restricted, and committed fund balance over fund balance in special revenue funds.

Establishment of Order of Expenditure by Classification of Fund Balance

The City of Cheney will spend the fund balances in the following order:

1. Restricted
2. Committed
3. Assigned

Process for Committing Funds

- The City Council, being the highest decision making authority of the City of Cheney, shall be the sole designator of committed funds.
- The Finance Director will, at a minimum on an annual basis, and before the end of the fiscal year, bring a resolution to the City Council with a listing of resources to be committed to specific special revenue funds.
- Such resources can only be removed from that commitment by the City Council
- Approval of an annual budget does not qualify as commitment of resources under GASB 54.

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

| Governmental Funds – Fund Balance Designation – Detail by Specific Purpose | | | |
|--|--------------------|--------------------------|--------------------|
| Fund Balances | General | Other Governmental Funds | Total |
| <i>Nonspendable:</i> | | | |
| Inventory | \$ - | \$14,314 | \$14,314 |
| <i>Restricted for:</i> | | | |
| Road Construction/Streets | - | 61,416 | 61,416 |
| Public Safety | - | 156,654 | 156,654 |
| Culture and Recreation | - | 16,900 | 16,900 |
| Public Defense | 18,000 | - | 18,000 |
| Tourism | - | 31,358 | 31,358 |
| Capital/CIP Approved | - | 145,018 | 145,018 |
| <i>Committed to:</i> | | | |
| Road Construction/Streets | - | 80,425 | 80,425 |
| Public Safety | - | 32,656 | 32,656 |
| Culture and Recreation | - | 3,843 | 3,843 |
| City Beautification | - | 11,768 | 11,768 |
| <i>Assigned to:</i> | | | |
| Road Construction/Streets | - | 40,665 | 40,665 |
| Public Safety | - | 162,291 | 162,291 |
| Culture and Recreation | - | 9,506 | 9,506 |
| Information Technology | 94,111 | - | 94,111 |
| Tourism | - | 73 | 73 |
| City Beautification | - | 69 | 69 |
| Capital/CIP Approved | - | 82 | 82 |
| <i>Unassigned:</i> | | | |
| | 1,099,656 | -127,419 | 972,237 |
| Totals | \$1,211,767 | \$639,619 | \$1,851,386 |

The Parks and Recreation Fund ended fiscal year 2013 with a deficit fund net position of -\$97,170. The following table illustrates the breakdown of fund balance by type for this fund:

| Fund Balance Type | Amount |
|-------------------|------------------|
| Restricted | \$ 16,900 |
| Committed | 3,843 |
| Assigned | 9,506 |
| Unassigned | -127,419 |
| Total | -\$97,170 |

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

12. General Fund Minimum Fund Balance Policy

The City of Cheney will maintain an adequate unrestricted fund balance to allow for a cash reserve and for cash flow purposes in current and future fiscal periods. This fund balance will be reported in the committed, assigned, and unassigned categories of the general fund in the annual financial report.

Fund balance will be monitored closely by the Finance Director. If the fund balance should change (+/-) by 5% annually, the Finance Director will report the variance to the City Administrator and Mayor and prepare a plan for use or replenishment of fund balance.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditures, and changes in fund balances include reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

The City of Cheney's deposits are entirely covered by federal depository insurance (FDIC) or by collateral help in a multiple financial institution collateral pool administered by Washington Public Deposit Protection Commission (PDPC). Currently, the City has no investment policy.

On December 31, 2013, the carrying amount of the City's cash demand deposit with Bank of America was \$2,396,379 and the carrying amount of the City's savings account with Bank of America was \$134,869. Petty Cash on hand was \$9,950.

Additionally, the City of Cheney Municipal Court recorded a carrying amount in the court account of \$28,159.

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

B. Investments

As of December 31, 2013, the City of Cheney had the following investments:

| Investment | Fair Value | Total |
|-----------------------|-------------|-------------|
| State Investment Pool | \$4,922,604 | \$4,922,604 |
| Total | \$4,922,604 | \$4,922,604 |

Custodial credit risk is the risk that in the event of a failure of counterparty to an investment transaction, the City of Cheney would not be able to recover the value of the investment of collateral securities. Of the City of Cheney's total position, \$0 is exposed to custodial credit risk because investments are held by the City of Cheney's brokerage firm, which is also the counterparty in those particular securities.

NOTE 5— PROPERTY TAX

The County Treasurer acts as an agent to collect property tax levied in County for all taxing authorities.

| Property Tax Calendar | |
|-----------------------|---|
| January 1 | Tax is levied and become and 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% of market value |
| October 31 | Second installment is due. |

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred revenue and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City of Cheney may levy up to \$2.372271 per \$1,000 of assessed valuation for general governmental services. The City of Cheney's regular levy for 2013 was \$2.372271 per \$1,000 on an assessed valuation of \$501,495,200 for a total regular levy of \$1,189,682 before adjustments by the Spokane County Assessor.

Washington State Constitution and Washington State Law, RCW 84.55.010 limit the rate.

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 – CAPITAL ASSETS

A. Capital Assets

Capital assets activity for the year ended December 31, 2013 was as follows:

| | Beginning Balance 1/01/2013 | Increases | Decreases/ Adjustments | Ending Balance 12/31/2013 |
|--|---------------------------------|--------------|---------------------------|------------------------------|
| Governmental Activities | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$1,567,393 | 51,550 | - | \$1,618,943 |
| Capital Assets, being depreciated: | | | | |
| Buildings | 4,589,164 | 17,100 | - | 4,606,264 |
| Other Improvements | 1,765 | - | - | 1,765 |
| Machinery & Equipment | 3,868,530 | 59,482 | -180,476 | 3,747,536 |
| Infrastructure | 23,059,291 | 472,203 | -1 | 23,531,493 |
| Total Capital Assets being depreciated | 31,518,750 | 548,785 | -180,477 | 31,887,058 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 1,880,066 | 200,874 | - | 2,080,940 |
| Other Improvements | 1,765 | - | - | 1,765 |
| Machinery & Equipment | 2,809,828 | 188,978 | -154,700 | 2,844,106 |
| Infrastructure | 9,792,820 | 1,250,355 | -1 | 11,043,174 |
| Total Accumulated Depreciation | 14,484,479 | 1,640,207 | -154,701 | 15,969,985 |
| Total Capital Assets, being depreciated, Net | 17,034,271 | -1,091,422 | -25,776 | 15,917,073 |
| Governmental Activity, Capital Assets, Net | \$18,601,664 | \$-1,039,872 | \$-25,776 | \$17,536,016 |
| | | | | |
| | Beginning Balance 01/01/2013 | Increases | Decreases/ Adjustments | Ending Balance 12/31/2013 |
| Business-Type Activities | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land and Construction in Progress | \$801,758 | - | - | \$801,758 |
| Capital Assets, being depreciated | | | | |
| Buildings | 20,822,479 | 83,120 | - | 20,905,599 |
| Other Improvements | 2,311,486 | 785 | - | 2,312,271 |
| Machinery & Equipment | 5,539,602 | 159,274 | -21,078 | 5,677,798 |
| Infrastructure | 22,320,479 | 586,297 | - | 22,906,776 |
| Total Assets being depreciated | 50,994,046 | 829,476 | -21,078 | 51,802,444 |
| Less Accumulated Depreciation for: | | | | |
| Building | 8,581,275 | 690,175 | | 9,271,450 |
| Other Improvements | 354,333 | 42,357 | 1 | 396,691 |
| Machinery & Equipment | 3,303,607 | 383,337 | -21,009 | 3,665,935 |
| Infrastructure | 13,701,873 | 831,719 | 1 | 14,533,593 |
| Total Accumulated Depreciation | 25,941,088 | 1,947,588 | -21,007 | 27,867,669 |
| Total Capital Assets, being depreciated, net | 25,052,958 | -1,118,112 | -71 | 23,934,775 |
| Work in Progress/Not yet Assigned | 118,067 | - | -118,067 | - |
| Business-type Activity, Capital Assets, Net | \$25,972,783 | \$-1,118,112 | -\$118,138 | \$24,736,533 |

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|-------------|
| Governmental Activities: | |
| General Government | \$166,835 |
| Security of Persons/Property | 115,989 |
| Economic Environment | 1,646 |
| Transportation | 1,128,224 |
| Culture and Recreation | 227,513 |
| Total Depreciation – Governmental Activities | \$1,640,207 |
| Business-Type Activities: | |
| Light | \$594,842 |
| Water | 288,146 |
| Solid Waste | 162,196 |
| Sewer | 902,404 |
| Total Depreciation – Business type Activities | \$1,947,588 |

All reported capital assets of the City of Cheney are depreciated except for land. Improvements are commonly depreciated over the remaining useful life of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

NOTE 7 – PENSION PLANS

Substantially all City of Cheney full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme; Appeals; and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013;

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired after May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

| | |
|--|----------------|
| Retirees and Beneficiaries Receiving Benefits | 82,242 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 30,515 |
| Active Plan Members Vested | 106,317 |
| Active Plan Members Nonvested | 44,273 |
| Total | 263,347 |

Funding Policy

Each biennium, the State Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates are expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|-----------|--------------------|--------------------|--------------------|
| Employer* | 9.21%** | 9.21%** | 9.21%*** |
| Employee | 6.00%**** | 4.92%**** | ***** |

*The employer rates include the employer administrative expense fee currently set at 0.18%

The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3. *Plan 3 defined benefit portion only

****The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both City of Cheney and the employees made the required contributions. The City of Cheney's required contributions for the years ended December 31 were as follows:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|------|--------------------|--------------------|--------------------|
| 2013 | \$5,641 | \$246,594 | \$67,809 |
| 2012 | \$4,814 | \$221,469 | \$66,563 |
| 2011 | \$3,919 | \$188,828 | \$56,528 |

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislature appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

| Term of Service | Percent of Final Average Salary |
|---------------------------|---------------------------------|
| 20 or more years | 2.0% |
| 10 but less than 20 years | 1.5% |
| 5 but less than 10 years | 1.0% |

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS;

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to the offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

| | |
|--|---------------|
| Retirees and Beneficiaries Receiving Benefits | 10,189 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 689 |
| Active Plan Members Vested | 14,273 |
| Active Plan members Nonvested | 2,633 |
| Total | 27,784 |

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

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. For DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|-----------|---------------------|---------------------|
| Employer* | .18% | 5.23% |
| Employee | 0.00% | 8.41% |
| State | N/A | 3.36% |

*The employer rates include the employer administrative expense fee currently set at 0.18%

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Both City of Cheney and the employees made the required contributions. The City of Cheney's required contributions for the years ended December 31 were as follows:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|------|--------------|--------------|
| 2013 | \$0 | \$95,608 |
| 2012 | \$0 | \$97,085 |
| 2011 | \$0 | \$86,277 |

NOTE 8 – RISK MANAGEMENT

The City of Cheney 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 162 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 agreement, 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.

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

No insurance settlements have exceeded insurance coverage in 2013 or either of the two preceding fiscal years.

NOTE 9 – SHORT TERM DEBT

The City of Cheney is not holding any short-term debt for the year ending December 31, 2013. Please see Note 12 for the 2014 payments of long-term liabilities.

NOTE 10 – LONG TERM DEBT

The following schedule of Long-Term Debt provides a listing of outstanding external debt of the City. The annual requirements to amortize the debt, including interest are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|--------------------------|--------------------|-----------------|--------------------|
| 2015 | 692,623 | 14,332 | 706,955 |
| 2016 | 694,627 | 12,210 | 706,837 |
| 2017 | 696,661 | 10,057 | 706,718 |
| 2018 | 698,726 | 7,874 | 706,600 |
| 2019 | 700,822 | 5,660 | 706,482 |
| 2020-2024 | 3,013,541 | 5,615 | 3,019,156 |
| 2025-2029 | 2,702,891 | 118 | 2,703,009 |
| Total | \$9,199,891 | \$55,866 | \$9,255,757 |

All above referenced long-term debt has a fixed interest rate.

The short term portion of the long term debt, due in 2014, is comprised of principal - \$690,648 and interest - \$16,425 for a total amount due of \$707,073.

NOTE 11 – LEASES

A. Operating Leases

The City of Cheney leases various pieces office equipment and an IBM i-series AS400 under noncancelable operating leases. Total cost for such leases was \$99,872 for the year ended December 31, 2013. The future minimum lease payments for these leases are as follows:

| Year Ending December 31, | Amount |
|--------------------------|------------------|
| 2014 | \$107,203 |
| 2015 | 88,160 |
| 2016 | 45,953 |
| 2017 | 39,014 |
| 2018 | 35,763 |
| Total | \$316,093 |

CITY OF CHENEY, WASHINGTON

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

B. Capital Leases

The City of Cheney entered into a four year agreement in 2013 for financing one School Resource Officer police car. The lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| Asset | Governmental Assets |
|---------------------|---------------------|
| SRO Police Car | \$44,030 |
| (Less Depreciation) | (746) |
| Total | \$43,284 |

At the lease inception the following schedule was prepared to show the future lease obligation and the net present value of the minimum lease payments as of 2013.

| Year Ending December 31 | Governmental Activities |
|---|-------------------------|
| 2013 | \$11,982 |
| 2014 | 11,982 |
| 2015 | 11,982 |
| 2016 | 11,982 |
| Total Minimum Lease Payments | \$47,928 |
| Less: Interest | (3,898) |
| Present Value of Minimum Lease Payments | \$44,030 |

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities, as presented on the Statement of Net Position:

| | Beginning Long-Term 1/1/2013 | Additions | Reductions | Ending Long-Term 12/31/2013 | Current L-T Portion Due One Year |
|--|------------------------------|-----------|------------|-----------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Interfund Loan Payable | \$85,575 | \$145,850 | \$49,798 | \$181,627 | \$56,613 |
| Capital Leases | - | 32,215 | | 32,215 | 10,150 |
| OPEB Payable | 595,996 | 69,238 | | 665,234 | - |
| Compensated Absences | 651,516 | | 36,632 | 614,884 | - |
| Government Activity Long-Term Liabilities | \$1,333,087 | \$247,303 | \$86,430 | \$1,493,960 | \$66,763 |
| Business-Type Activities: | | | | | |
| Internal Loan Payable | \$465,000 | | 95,000 | \$370,000 | \$95,000 |
| External Loan Payable | 10,620,821 | | 730,283 | 9,890,538 | 690,648 |
| Compensated Absences | 327,528 | 7,140 | | 334,668 | - |
| Business-type Activity Long-Term Liabilities | \$11,413,349 | \$7,140 | \$825,283 | \$10,595,206 | \$785,648 |

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Internal service funds predominately serve the governmental funds and any long-term liability for the internal service funds would be included in the above governmental activities. As of December 31, 2013, there are no long-term liabilities held in the internal service funds.

NOTE 13 – CONTINGENCIES AND LITIGATION

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

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The City of Cheney management believes that all disallowances, if any, would be immaterial.

As of December 31, 2013, there are no pending claims against the City.

NOTE 14 – RESTRICTED NET POSITION

The government-wide statement of net position reports \$443,660 of restricted component of net position in the Governmental Activities for inventories and restricted revenues. Additionally, The City of Cheney reports \$526,913 of restricted component of net position in the Business-Type Activities for consumer utility deposits and debt service.

NOTE 15 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2013 were as follows:

| Due To | Due From | | | | | Total |
|--------|--------------|----------------------|------------------------|------------------|--|-------|
| | | Parks and Recreation | Information Technology | Water | | |
| | General Fund | 145,850 | - | - | | |
| | Sewer | - | 35,777 | 370,000 | | |
| | Total | \$145,850 | \$35,777 | \$370,000 | | |

The interfund balances are a result of interfund loans. The City of Cheney utilizes reserve balances in other funds to provide short and long term interfund loans to other funds. The interest rate is 1% above what the loaning fund is receiving from the Washington State Investment Pool. The loans, their purpose, and expectation of being repaid within one calendar year from the date of these statements are listed below:

| Loan | Purpose | Repaid in 2014 |
|------------------------|----------------|----------------|
| Parks and Recreation | Operational | No |
| Information Technology | Infrastructure | Yes |

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

B. Interfund Transfers

Interfund transfers at December 31, 2013 were as follows:

| Transfer To | Transfer From | | | |
|----------------|---------------|------------------|---------------------|-----------------------------|
| | | General Fund | Street Equipment | Regular - Purpose |
| | | | | |
| | Street Fund | 200,000 | 30,000 | Regular – Street Operations |
| | Total | \$200,000 | \$30,000 | |
| | | | | 230,000 |
| | | | | \$230,000 |

NOTE 16 – RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, 2013 were as follows:

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------|-------------------------|--------------------------|--------------------|
| Accounts | \$299,834 | \$75,498 | \$375,332 |
| Taxes | 257,241 | 1,204,740 | 1,461,981 |
| Due from Other Governments | 117,458 | 0 | 117,458 |
| Interfund Loan | 145,850 | 405,777 | 551,627 |
| Totals | \$820,383 | \$1,686,015 | \$2,506,398 |

B. Payables

Payables at December 31, 2013 were as follows:

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------|-------------------------|--------------------------|---------------------|
| Accounts | \$151,280 | \$565,445 | \$716,725 |
| Custodial Accounts | - | 16,866 | 16,866 |
| Mitigation/Retainage | 105,487 | 6,490 | 111,977 |
| Interest | - | 6,563 | 6,563 |
| Capital Lease | 32,215 | - | 32,215 |
| Loans/Debt | 181,627 | 10,260,538 | 10,442,165 |
| Compensated Absences/Wages | 614,884 | 342,957 | 957,841 |
| Post-Employment Benefits | 665,234 | - | 665,234 |
| Totals | \$1,750,727 | \$11,198,859 | \$12,949,586 |

NOTE 17 – INTERGOVERNMENTAL REVENUES OF THE GENERAL FUND

The city annually records and monitors time spent by the Office of the Mayor and the Finance Department for the Finance and Executive charges and the Public Works Administration Staff for the Public Works Administration charges to accurately reflect the time charge to the proprietary funds for intergovernmental services. The funds are classified as an operating expense in the Street, Light, Water, Solid Waste and Sewer funds and are recorded in the General Fund. At year end, the revenue is closed into the general fund expense accounts to allow for one expense to be recorded in the financial statements for those operating expenses. In 2013, \$955,400 was closed in the expense accounts in the Mayor's office, Finance Department, and Legal Services division. \$322,227 was closed into Public Works Administration to account for the maintenance and operations cost of Public Works Administration.

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the city's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Annual Report.

Funding Policy

Funding for LEOFF retire healthcare costs is provided entirely by the city as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City of Cheney used the alternative measurement permitted under GASB Statement No. 45. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the State-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with four active grouping and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. ARC for the 2013 fiscal year is \$227,814.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$665,234 is included as a noncurrent liability on the Statement of Net Position.

CITY OF CHENEY, WASHINGTON
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Contribution as a Percentage of OPEB Cost | City Contribution | Net OPEB Obligation |
|-------------------|------------------|---|-------------------|---------------------|
| 12/31/2008 | \$327,408 | 44.83% | \$160,819 | \$166,589 |
| 12/31/2009 | \$303,277 | 55.20% | \$167,396 | \$302,470 |
| 12/31/2010 | \$254,861 | 60.42% | \$153,980 | \$403,351 |
| 12/31/2011 | \$235,354 | 44.68% | \$ 125,977 | \$512,728 |
| 12/31/2012 | \$220,616 | 36.16% | \$137,348 | \$595,996 |
| 12/31/2013 | \$198,462 | 29.22% | \$129,224 | \$665,234 |

NOTE 19 – ADJUSTMENTS TO NET POSITION

The following table identifies all adjustments to Net Position by fund.

| Fund | Amount | Reason for Adjustment |
|--|------------------|---|
| <i>Governmental Activity:</i> | | |
| Criminal Justice | -21,200 | The 2012 jail reimbursement from EWU was estimated using the best available information in 2013. The actual revenue was less than originally anticipated. |
| Parks and Recreation | -53 | Work Study receivable was booked in 2012 using best estimate. Actual reimbursement for 2012, received in 2013, was \$53 less than original estimate. |
| Total Governmental Activity Adjustment | \$-21,253 | |
| <i>Business-Type Activity:</i> | | |
| Light Fund | 84,471 | 2012/2013 Manual Adjustment to Accounts Payable and WIP adjustments from work orders. |
| Water Fund | 279 | 2012/2013 Manual Adjustment to Accounts Payable |
| Solid Waste Fund | 323 | 2012/2013 Manual Adjustment to Accounts Payable |
| Sewer Fund | 985 | 2012/2013 Manual Adjustment to Accounts Payable |
| Total Business-Type Activity Adjustment | \$86,058 | |

CITY OF CHENEY, WASHINGTON
Other Post Employment Benefits

Required Supplementary Information
LEOFF 1 Retiree Medical Benefits
Schedule of Funding Progress

| Fiscal Year Ended | Actuarial Value of Assets | Actuarial Accrued Liabilities Entry Age | Unfunded Actuarial Accrued Liabilities (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|----------------------------------|--|--|---------------------|------------------------|--|
| 12/31/2006 | \$ - | \$3,516,217 | \$3,516,217 | 0% | \$ - | 0% |
| 12/31/2007 | \$ - | \$3,516,217 | \$3,516,217 | 0% | \$ - | 0% |
| 12/31/2008 | \$ - | \$3,516,217 | \$3,516,217 | 0% | \$ - | 0% |
| 12/31/2009 | \$ - | \$3,350,403 | \$3,350,403 | 0% | \$ - | 0% |
| 12/31/2010 | \$ - | \$2,900,648 | \$2,900,648 | 0% | \$ - | 0% |
| 12/31/2011 | \$ - | \$2,743,277 | \$2,743,277 | 0% | \$ - | 0% |
| 12/31/2012 | \$- | \$2,641,514 | \$2,641,514 | 0% | \$ - | 0% |
| 12/31/2013 | \$- | \$2,446,620 | \$2,446,620 | 0% | \$- | 0% |

The notes to the financial statements are an integral part of this schedule.



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 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.

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Director of Performance and State Audit
Director of Local Audit
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Deputy Director of Local Audit
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Barb Hinton
Thomas Shapley
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