



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements and Federal Single Audit Report**

### **Town of Naches**

**Yakima County**

**For the period January 1, 2011 through December 31, 2013**

**Published September 25, 2014**

**Report No. 1012685**





## Washington State Auditor Troy Kelley

September 25, 2014

Council  
Town of Naches  
Naches, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Town of Naches' financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

TROY KELLEY  
STATE AUDITOR

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Yakima County  
January 1, 2011 through December 31, 2013**

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# Federal Summary

## Town of Naches Yakima County January 1, 2013 through December 31, 2013

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

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

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

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

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

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

We issued an unmodified opinion on the Town's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

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

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

The Town did not qualify as a low-risk auditee under OMB Circular A-133.

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

**Town of Naches  
Yakima County  
January 1, 2011 through December 31, 2013**

Council  
Town of Naches  
Naches, 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 Town of Naches, Yakima County, Washington, as of and for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated September 18, 2014.

We issued an unmodified opinion on the fair presentation of the Town's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Town using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System (BARS)* manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audits of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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.

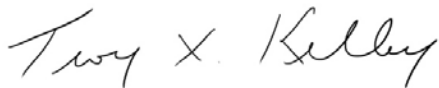
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

September 18, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Town of Naches  
Yakima County  
January 1, 2013 through December 31, 2013**

Council  
Town of Naches  
Naches, Washington

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

We have audited the compliance of the Town of Naches, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Town's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Town's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

**TROY KELLEY**  
STATE AUDITOR

September 18, 2014

# **Independent Auditor's Report on Financial Statements**

**Town of Naches  
Yakima County  
January 1, 2011 through December 31, 2013**

Council  
Town of Naches  
Naches, Washington

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

We have audited the accompanying financial statements of the Town of Naches, Yakima County, Washington, for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 14.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the Town of Naches has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town of Naches, for the years ended December 31, 2013, 2012 and 2011, on the basis of accounting described in Note 1.

### ***Basis for Adverse Opinion on U.S. GAAP***

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Town used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### ***Adverse Opinion on U.S. GAAP***

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Naches, as of December 31, 2013, 2012 and 2011, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

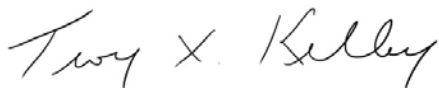
#### ***Supplementary and Other Information***

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Liabilities are also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

September 18, 2014

# **Financial Section**

## **Town of Naches Yakima County January 1, 2011 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fund Resources and Uses Arising from Cash Transactions – 2012  
Fund Resources and Uses Arising from Cash Transactions – 2011  
Notes to Financial Statements – 2013  
Notes to Financial Statements – 2012  
Notes to Financial Statements – 2011

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Liabilities – 2012  
Schedule of Liabilities – 2011  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	102 Street Construction Fund
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	296,609	42,519	0	141,868
30880	Beg Fund Bal-Unreserved	935,140	440,718	100,495	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	386,193	279,271	101,879	0
320	Licenses & Permits	2,542	2,542	0	0
330	Intergovernmental Revenues	804,977	15,724	16,642	772,612
340	Charges for Goods and Services	622,721	110,209	281	0
350	Fines & Penalties	11,561	11,561	0	0
360	Miscellaneous Revenues	5,764	4,270	136	184
<b>Total Operating Revenues:</b>		<b>1,833,758</b>	<b>423,576</b>	<b>118,938</b>	<b>772,796</b>
<b>Operating Expenditures</b>					
510	General Government	245,067	245,067	0	0
520	Public Safety	116,315	116,315	0	0
530	Utilities	434,335	102,877	0	0
540	Transportation	74,003	0	74,003	0
550	Natural and Economic Environment	15,785	15,785	0	0
560	Social Services	145	145	0	0
570	Culture And Recreation	21,415	21,415	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>907,066</b>	<b>501,604</b>	<b>74,003</b>	
<b>Net Operating Increase (Decrease):</b>		<b>926,693</b>	<b>-78,028</b>	<b>44,935</b>	<b>772,796</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	69,231	0	425	0
391-393	Debt Proceeds	2,110	0	0	0
397	Transfers-In	152,391	113,000	0	0
<b>Total Nonoperating Revenues:</b>		<b>223,732</b>	<b>113,000</b>	<b>425</b>	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	114,846	0	0	0
594-595	Capital Expenditures	940,589	81,329	12,730	777,654
597	Transfers-Out	152,391	500	41,000	0
<b>Total Nonoperating Expenditures:</b>		<b>1,207,826</b>	<b>81,829</b>	<b>53,730</b>	<b>777,654</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>-57,401</b>	<b>-46,857</b>	<b>-8,370</b>	<b>-4,858</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	258,810	42,576	0	137,010
50880	End Fund Balance-Unreserved	915,537	393,803	92,124	0

The accompanying notes are an integral part of this Statement.

BARS Code		103 Capital Impvmnt Fund (reet)	105 Hotel/motel Tax Fund	301 Misc Capital Projects Fund	310 C.d.b.g. #4 Rehab Grant Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	49,642	7,254	0	38,866
30880	Beg Fund Bal-Unreserved	0	0	2,326	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,184	859	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	67	5	3	278
Total Operating Revenues:		4,251	864	3	278
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		4,251	864	3	278
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	500	0	0
Total Nonoperating Revenues:			500		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	38,891
Total Nonoperating Expenditures:					38,891
Increase (Decrease) in Cash and Investments		4,251	1,364	3	-38,613
Ending Cash and Investments					
50810	End Fund Bal-Reserved	53,893	8,618	0	253
50880	End Fund Balance-Unreserved	0	0	2,329	0

The accompanying notes are an integral part of this Statement.



BARS Code		401 Water Sewer Fund
<b>Beginning Cash and Investments</b>		
30810	Beg Fund Bal-Reserved	16,460
30880	Beg Fund Bal-Unreserved	391,602
38800/58800	Prior Period Adjustments, net	0
<b>Operating Revenues</b>		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	512,231
350	Fines & Penalties	0
360	Miscellaneous Revenues	821
Total Operating Revenues:		513,052
<b>Operating Expenditures</b>		
510	General Government	0
520	Public Safety	0
530	Utilities	331,459
540	Transportation	0
550	Natural and Economic Environment	0
560	Social Services	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		331,459
Net Operating Increase (Decrease):		181,593
<b>Nonoperating Revenues</b>		
370, 380, 395, 398	Other Financing Sources	68,806
391-393	Debt Proceeds	2,110
397	Transfers-In	38,891
Total Nonoperating Revenues:		109,807
<b>Nonoperating Expenditures</b>		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	114,846
594-595	Capital Expenditures	68,876
597	Transfers-Out	72,000
Total Nonoperating Expenditures:		255,722
Increase (Decrease) in Cash and Investments		35,678
<b>Ending Cash and Investments</b>		
50810	End Fund Bal-Reserved	16,460
50880	End Fund Balance-Unreserved	427,280

The accompanying notes are an integral part of this Statement.

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	102 Street Construction Fund
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	233,497	0	0	156,916
30880	Beg Fund Bal-Unreserved	900,812	475,948	107,011	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	427,447	292,824	110,090	0
320	Licenses & Permits	5,523	5,523	0	0
330	Intergovernmental Revenues	83,089	19,604	16,449	47,036
340	Charges for Goods and Services	561,973	93,660	0	0
350	Fines & Penalties	12,394	12,394	0	0
360	Miscellaneous Revenues	55,487	3,552	2,073	229
<b>Total Operating Revenues:</b>		<b>1,145,912</b>	<b>427,557</b>	<b>128,612</b>	<b>47,265</b>
<b>Operating Expenditures</b>					
510	General Government	247,647	247,647	0	0
520	Public Safety	123,259	123,259	0	0
530	Utilities And Environment	369,712	97,977	0	0
540	Transportation	94,447	0	94,447	0
550	Economic Environment	24,631	22,594	0	0
560	Mental & Physical Health	209	209	0	0
570	Culture And Recreation	20,169	19,169	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>880,076</b>	<b>510,857</b>	<b>94,447</b>	<b>0</b>
<b>Net Operating Increase (Decrease):</b>		<b>265,839</b>	<b>-83,300</b>	<b>34,165</b>	<b>47,265</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	129,200	3,290	0	0
391-393	Debt Proceeds	74,788	0	0	0
397	Transfers-In	108,920	108,420	0	0
<b>Total Nonoperating Revenues:</b>		<b>312,908</b>	<b>111,710</b>	<b>0</b>	<b>0</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	3,290	3,290	0	0
591-593	Debt Service	115,182	0	0	0
594-595	Capital Expenditures	253,914	17,331	1,471	62,313
597	Transfers-Out	108,920	500	39,210	0
<b>Total Nonoperating Expenditures:</b>		<b>481,306</b>	<b>21,121</b>	<b>40,681</b>	<b>62,313</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>97,441</b>	<b>7,291</b>	<b>-6,516</b>	<b>-15,048</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	296,609	42,519	0	141,868
50880	End Fund Balance-Unreserved	935,140	440,718	100,495	0

The accompanying notes are an integral part of this Statement.

BARS Code		103 Capital Impvmnt Fund (reet)	105 Hotel/motel Tax Fund	301 Misc Capital Projects Fund	310 C.d.b.g. #4 Rehab Grant Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	44,983	0	0	16,748
30880	Beg Fund Bal-Unreserved	0	6,634	2,322	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,576	1,114	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	83	6	4	24,155
Total Operating Revenues:		4,659	1,120	4	24,155
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	2,037
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	1,000	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			1,000		2,037
Net Operating Increase (Decrease):		4,659	120	4	22,118
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	500	0	0
Total Nonoperating Revenues:			500		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:					
Increase (Decrease) in Cash and Investments		4,659	620	4	22,118
Ending Cash and Investments					
50810	End Fund Bal-Reserved	49,642	7,254	0	38,866
50880	End Fund Balance-Unreserved	0	0	2,326	0

The accompanying notes are an integral part of this Statement.

BARS Code		401 Water Sewer Fund
<b>Beginning Cash and Investments</b>		
30810	Beg Fund Bal-Reserved	14,850
30880	Beg Fund Bal-Unreserved	308,898
38800/58800	Prior Period Adjustments, net	0
<b>Operating Revenues</b>		
310	Taxes	18,844
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	468,313
350	Fines & Penalties	0
360	Miscellaneous Revenues	25,385
Total Operating Revenues:		512,541
<b>Operating Expenditures</b>		
510	General Government	0
520	Public Safety	0
530	Utilities And Environment	271,735
540	Transportation	0
550	Economic Environment	0
560	Mental & Physical Health	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		271,735
Net Operating Increase (Decrease):		240,807
<b>Nonoperating Revenues</b>		
370, 380, 395, 398	Other Financing Sources	125,910
391-393	Debt Proceeds	74,788
397	Transfers-In	0
Total Nonoperating Revenues:		200,698
<b>Nonoperating Expenditures</b>		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	115,182
594-595	Capital Expenditures	172,798
597	Transfers-Out	69,210
Total Nonoperating Expenditures:		357,190
Increase (Decrease) in Cash and Investments		84,315
<b>Ending Cash and Investments</b>		
50810	End Fund Bal-Reserved	16,460
50880	End Fund Balance-Unreserved	391,602

The accompanying notes are an integral part of this Statement.

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS Code		Total for All funds*	001 Current Expense	101 Street Fund	102 Street Construction
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	2,318	0	0	0
30880	Beg Fund Bal-Unreserved	878,138	483,114	136,287	-125,944
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	427,407	305,925	94,412	0
320	Licenses & Permits	2,968	2,968	0	0
330	Intergovernmental Revenues	734,832	27,356	24,812	682,663
340	Charges for Goods and Services	551,618	92,186	0	0
350	Fines & Penalties	12,569	12,569	0	0
360	Miscellaneous Revenues	13,157	1,262	292	99
<b>Total Operating Revenues:</b>		<b>1,742,552</b>	<b>442,267</b>	<b>119,517</b>	<b>682,762</b>
<b>Operating Expenditures</b>					
510	General Government	254,197	254,197	0	0
520	Public Safety	115,301	115,301	0	0
530	Utilities And Environment	457,335	95,091	0	0
540	Transportation	90,526	0	90,526	0
550	Economic Environment	6,957	6,957	0	0
560	Mental & Physical Health	192	192	0	0
570	Culture And Recreation	44,604	44,604	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>969,112</b>	<b>516,341</b>	<b>90,526</b>	
<b>Net Operating Increase (Decrease):</b>		<b>773,440</b>	<b>-74,075</b>	<b>28,991</b>	<b>682,762</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	9,913	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	133,914	108,420	0	24,994
<b>Total Nonoperating Revenues:</b>		<b>143,827</b>	<b>108,420</b>		<b>24,994</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	58,301	2,756	0	0
591-593	Debt Service	14,897	0	0	0
594-595	Capital Expenditures	525,511	38,257	7,657	424,895
597	Transfers-Out	64,704	500	50,610	0
<b>Total Nonoperating Expenditures:</b>		<b>663,413</b>	<b>41,512</b>	<b>58,267</b>	<b>424,895</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>253,853</b>	<b>-7,168</b>	<b>-29,276</b>	<b>282,861</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	175,987	0	0	156,916
50880	End Fund Balance-Unreserved	958,323	475,948	107,011	0

The accompanying notes are an integral part of this Statement.

BARS Code		103 Capital Imprv	105 Motel Hotel Taxes	301 CDBG Rehab Fund	310 CDBG RehabFund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	2,318	0
30880	Beg Fund Bal-Unreserved	51,309	5,223	0	15,750
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	7,173	905	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	94	6	4	998
Total Operating Revenues:		7,268	911	4	998
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		7,267	911	4	998
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	500	0	0
Total Nonoperating Revenues:			500		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	13,594	0	0	0
Total Nonoperating Expenditures:		13,594			
Increase (Decrease) in Cash and Investments		-6,327	1,411	4	998
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	2,322	16,748
50880	End Fund Balance-Unreserved	44,983	6,634	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		401 Water/Sewer Fund
<b>Beginning Cash and Investments</b>		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	312,400
38800/58800	Prior Period Adjustments, net	0
<b>Operating Revenues</b>		
310	Taxes	18,992
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	459,432
350	Fines & Penalties	0
360	Miscellaneous Revenues	10,401
Total Operating Revenues:		488,825
<b>Operating Expenditures</b>		
510	General Government	0
520	Public Safety	0
530	Utilities And Environment	362,245
540	Transportation	0
550	Economic Environment	0
560	Mental & Physical Health	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		362,245
Net Operating Increase (Decrease):		126,580
<b>Nonoperating Revenues</b>		
370, 380, 395, 398	Other Financing Sources	9,913
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues:		9,913
<b>Nonoperating Expenditures</b>		
580, 596, 599	Other Financing Uses	55,545
591-593	Debt Service	14,897
594-595	Capital Expenditures	54,702
597	Transfers-Out	0
Total Nonoperating Expenditures:		125,145
Increase (Decrease) in Cash and Investments		11,349
<b>Ending Cash and Investments</b>		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	323,748

The accompanying notes are an integral part of this Statement.

**TOWN OF NACHES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2013 THROUGH DECEMBER 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Town Of Naches was incorporated in 1921 and operates under the laws of the State of Washington applicable to a fourth class town with a Mayor-Council form of government. The Town Of Naches is a general purpose government and provides public safety via a contract with the Yakima County Sheriff's Office, fire prevention through the Yakima County Fire District #3, street\_improvements, general administrative services and a city owned water sewer utility. The Town OF Naches uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

**GOVERNMENTAL FUND TYPES**

General (Current Expense) Fund (001)

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

Special Revenue Funds (100-199)

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



### Capital Project Funds (300 – 399)

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

### PROPRIETARY FUND TYPES:

### Enterprise Funds (400-499)

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

#### b. Basis of Accounting

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

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

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

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

#### c. Budgets

The Town of Naches adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated	Actual	
<b>Fund/Department</b>	<b>Amounts</b>	<b>Expenditures</b>	<b>Variance</b>
Current Expense Fund	\$ 587,470	\$ 583,434	\$ 4,036
Current Expense	\$ -	\$ -	\$
Street Fund	\$ 148,559	\$ 131,909	\$ 16,650
Street Construction Reserve	\$ 790,000	\$ 773,480	\$ 16,520
Capital Improv. Fund (REET) Reserve Fund	\$ 8,500	\$ -	\$ 8,500
Motel/Motel Tax Reserve Fund	\$	\$	\$
Misc. Capital Projects	\$	\$	\$
CDBG Rehab Reserve Fund	\$ 38,891	\$ 38,891	\$ 0
Water/Sewer Fund	\$ 494,168	\$ 487,624	\$ 6,544
W/S Bond Redemption	\$ 16,460	\$ 16,460	\$ 0
Debt (SIED) Service Fund	\$ 58,833	\$ 58,571	\$ 262
W/S Bond Reserve	\$	\$	\$
Irrigation Capital Construct	\$	\$	\$
Water Construction	\$ 60,000	\$ 54,416	\$ 5,584
Sewer Construction	\$ -	0	0
		\$	\$

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments) however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town Council.

d. Cash

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

e. Deposits

The Town Of Naches's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

f. Investments See Note 2

h. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of 12 years. The capital assets of the Town of Naches are recorded as expenditures when purchased.

i. Compensated Absences

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

Sick leave may accumulate with no limit. Upon separation or retirement employees do not receive payment for unused sick leave

j. Long-Term Debt      See Note 4

k. Other Financing Sources Or Uses

The Town Of Naches's "Other Financing Sources or Uses" consist of debt proceeds and debt service, funds.

l. Risk Management

The Town of Naches is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2013, 91 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million in coverage limits, an excess liability policy is purchased from CV Starr. The excess property coverage is

purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA has a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

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

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

m. Reserved Fund Balance

The Town of Naches has reserved fund balances in:

- \$42,576.31 in the 001-Current Expense fund it's a capital reserve balance this funds cannot be spent except for dedicated purpose.
- \$137,009.88 in the 102- Street Construction the funds are restricted to expenditures for Street Capital Construction Projects.
- \$53,892.72 in the 103 REET Fund these funds are restricted to expenditure for specified purposes.
- \$8,618.04 in the 105- Hotel/Motel Fund these funds are restricted to expenditure for specified purposes.
- \$253.39 in the 310- CDBG Rehab Fund – the funds are part of a federally funded revolving loan program for low income housing renovations and must be expended in CDBG restricted criteria.
- \$16,460.00 in the 401- Water/Sewer Bond Reserve Fund to meet bond covenants for a USDA-RD Loan. The terms of the loan requires one (1) year of debt service to be reserved for the life of the loan.

NOTE 2 – INVESTMENTS

The Town of Naches investments are insured, registered or held by the Town of Naches or its agent in the Town's name. All investments are presented at cost.

Investments by type at December 31, 2013 are as follows:

Type of Investment	Town of Naches Own investments	Investments held by Town of Naches as an agent for others	Total
L.G.I.P.	\$925,576.18	\$0.00	\$925,576.18
Other			
Total	\$925,576.18	\$0.00	\$925,576.18

### NOTE 3 – PROPERTY TAX

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

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

The Town of Naches's regular levy for the year 2013 was 2.58149 per \$1,000 on an assessed valuation of \$45,683,250., for a total regular levy of \$117,931.

### NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Naches and summarizes the Town's debt transactions for year ended December 31, 2013.

The debt service requirements for revenue bonds and other debt including both principle and interest are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2014		\$ 16,460.00	\$ 110,067.07	\$ 126,527.07
2015		\$ 16,460.00	\$ 109,730.69	\$ 126,190.69
2016		\$ 16,460.00	\$ 109,394.34	\$ 125,854.34
2017		\$ 16,460.00	\$ 109,057.98	\$ 125,517.98
2018		\$ 16,460.00	\$ 108,721.63	\$ 125,181.63
2019-23		\$ 82,300.00	\$ 264,671.46	\$ 346,971.46
2024-28		\$ 82,300.00	\$ -	\$ 82,300.00
2029-33		\$ 82,300.00	\$ -	\$ 82,300.00
2034-38		\$ 82,300.00	\$ -	\$ 82,300.00
2039-42		\$ 65,840.00	\$ -	\$ 65,840.00
TOTALS	\$0.00	\$ 477,340.00	\$ 811,643.17	\$ 1,288,983.17

## NOTE 5 – PENSION PLANS

Substantially all Town of Naches's full-time and qualifying part-time employees participate in PERS II\_ administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Town of Naches's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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

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

## OTHER DISCLOSURES

### Fund Reporting

The Town has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- General Fund (Current Expense) includes the funds of 004.
- Water/Sewer Utility Fund includes the funds of 402, 403, 404, 409, 410, and 420

### SIED Grants/Loans with Private Entities

The Town of Naches has entered into multiple agreements for SIED Grants/ Loans. These loans are an obligation of the private entities that the Town has made agreements and the Town only serves as a collection/contractual agency for these funds. The Town has binding individual contracts with private entities. When payments are made these funds are recorded in the 403 fund to be repaid yearly to Yakima County (Grant/Loan provider). These loans are included on Schedule 9 and Note No. 4 debt service requirements.

### NOTE 6- Transfer of Surplus Funds from CDBG #4 Rehab Fund

The Town of Naches transferred \$38,891.00 from the 310 fund to the 401 fund. This money was approved by Council and met the CDBG agency requirements to fund the Town of Naches Water Comp Plan.

**TOWN OF NACHES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2012 THROUGH DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

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

The Town Of Naches was incorporated in 1921 and operates under the laws of the State of Washington applicable to a Fourth Class Town with a Mayor-Council form of Government. The Town Of Naches is a general purpose government and provides public safety via a contract with the Yakima County Sheriff's Office, fire prevention through the Yakima County Fire District #3, street improvements, general administrative services and a city owned water sewer utility. The TOWN OF NACHES uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

**GOVERNMENTAL FUND TYPES**

General (Current Expense) Fund (001)

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

### Special Revenue Funds (100-199)

These funds account for revenues that are legally restricted or designated to finance particular activities of the TOWN OF NACHES.

### Debt Service Funds

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

### Capital Project Funds (300 – 399)

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

### Permanent Funds

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

### PROPRIETARY FUND TYPES:

#### Enterprise Funds (400-499)

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

#### Internal Service Funds

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

### FIDUCIARY FUND

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

#### Private-Purpose Trust Funds

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

#### Agency Funds

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



b. Basis of Accounting

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

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

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

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

c. Budgets

The Town of Naches adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated	Actual	
<b>Fund/Department</b>	<b>Amounts</b>	<b>Expenditures</b>	<b>Variance</b>
Current Expense Fund	\$ 532,000	\$ 531,978	\$ 22
Current Expense	\$ -	\$ -	\$
Street Fund	\$ 143,749	\$ 135,128	\$ 8,621
Street Construction Reserve	\$ 86,000	\$ 62,314	\$ 23,686
Capital Improv. Fund (REET) Reserve Fund	\$ -	\$ -	\$
Motel/Motel Tax Reserve Fund	\$ 1,600	\$ 1,000	\$ 600
Misc. Capital Projects	\$	\$	\$
CDBG Rehab Reserve Fund	\$ 2,100	\$ 2,037	\$ 63
Water/Sewer Fund	\$ 454,090	\$ 421,395	\$ 32,695
W/S Bond Redemption	\$ 16,500	\$ 16,460	\$ 40
Debt (SIED) Service Fund	\$ 58,600	\$ 58,571	\$ 29
W/S Bond Reserve	\$	\$	\$
Irrigation Capital Construct	\$	\$	\$
Water Construction	\$ 85,000	\$ 81,196	\$ 3,804
Sewer Construction	\$ 85,000	\$ 81,196	\$ 3,804
		\$	\$

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town Council.

d. Cash

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

e. Deposits

The TOWN OF NACHES's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

f. Investments See Note 3

h. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of 12 years. The capital assets of the Town of Naches are recorded as expenditures when purchased.

i. Compensated Absences

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

Sick leave may accumulate with no limit. Upon separation or retirement employees do not receive payment for unused sick leave

j. Long-Term Debt      See Note 6

k. Other Financing Sources Or Uses

The TOWN OF NACHES's "Other Financing Sources or Uses" consist of debt proceeds, debt service, and transfers-in and out between funds.

l. Risk Management

The **Town of Naches** is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2012, 91 municipalities/entities participate in the RMSA Pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington with limits up to \$250

million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

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

The specific financials of the AWC RMSA can be obtained from the AWC RMSA Annual Report on file with the **Town of Naches**.

m. Reserved Fund Balance

The Town of Naches has reserved fund balances in:

- \$16,460.00 in the Water/Sewer Bond Reserve Fund to meet bond covenants for a USDA-RD Loan. The terms of the loan requires one (1) year of debt service to be reserved for the life of the loan.
- \$38,866.20 in the CDBG Rehab Fund – these funds are part of a federally funded revolving loan program for low income housing renovations.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There were no other material violations of finance related legal or contractual provisions.

### NOTE 3 – INVESTMENTS

The Town of Naches's investments are insured, registered or held by the Town of Naches or its agent in the Town's name. All investments are presented at cash value.

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

Type of Investment	Town of Naches Own investments	Investments held by Town of Naches as an agent for others	Total
L.G.I.P.	\$984,034.93	\$0.00	\$984,034.93
Other			
Total	\$984,034.93	\$0.00	\$984,034.93

### NOTE 4 – PROPERTY TAX

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

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

The Town of Naches's regular levy for the year 2012 was 2.30059641 per \$1,000 on an assessed valuation of \$46,654,397., for a total regular levy of \$116,658.76.

### NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Long-Term Liabilities (Debt) (09) provides more details of the outstanding debt and liabilities of the Town of Naches and summarizes the Town's debt transactions for year ended December 31, 2012.

The debt service requirements for general obligation bonds, revenue bonds including both principle and interest, are as follows:

		Note 6				
		General				
		Obligation		Revenue		Other
		Bonds		Bonds		Debt
						Total
						Debt
2013				\$ 16,460.00	\$ 98,385.61	\$ 114,845.61
2014				\$ 16,460.00	\$ 110,067.07	\$ 126,527.07
2015				\$ 16,460.00	\$ 109,730.69	\$ 126,190.69
2016				\$ 16,460.00	\$ 109,394.34	\$ 125,854.34
2017				\$ 16,460.00	\$ 109,057.98	\$ 125,517.98
2018-22				\$ 82,300.00	\$ 361,375.27	\$ 443,675.27
2023-27				\$ 82,300.00	\$ -	\$ 82,300.00
2028-32				\$ 82,300.00	\$ -	\$ 82,300.00
2033-37				\$ 82,300.00	\$ -	\$ 82,300.00
2038-42				\$ 82,300.00	\$ -	\$ 82,300.00
TOTALS		\$0.00		\$ 493,800.00	\$ 898,010.96	\$ 1,391,810.96

#### NOTE 7 – PENSION PLANS

Substantially all Town of Naches's full-time and qualifying part-time employees participate in PERS II\_ administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Town of Naches's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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

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

## OTHER DISCLOSURES

The Town has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- General Fund (Current Expense) includes the funds of 004 and 104
- Water/Sewer Utility Fund includes the funds of 402, 403, 404, 409, 410, and 420

The Town has entered into multiple agreements for SIED Grants/ Loans. These loans are an obligation of the private entities that the Town has made agreements and the Town only serves as a collection/contractual agency for these funds. When payments are made these funds are recorded in the 403 fund to be repaid yearly to Yakima County (Grant/Loan provider).

**TOWN OF NACHES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2011 THROUGH DECEMBER 31, 2011**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

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

The Town Of Naches was incorporated in 1921 and operates under the laws of the State of Washington applicable to a Fourth Class Town with a Mayor-Council form of Government. The Town Of Naches is a general purpose government and provides public safety via a contract with the Yakima County Sheriff's Office, fire prevention through the Yakima County Fire District #3, street improvements, general administrative services and a city owned water sewer utility. The TOWN OF NACHES uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

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

**GOVERNMENTAL FUND TYPES**

General (Current Expense) Fund (001)

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



### Special Revenue Funds (100-199)

These funds account for revenues that are legally restricted or designated to finance particular activities of the TOWN OF NACHES.

### Capital Project Funds (300 – 399)

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

### PROPRIETARY FUND TYPES:

### Enterprise Funds (400-499)

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

#### b. Basis of Accounting

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

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

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

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

#### c. Budgets

The Town of Naches adopts annual appropriated budgets for all funds. These budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Appropriated	Actual	
<b>Fund/Department</b>	<b>Amounts</b>	<b>Expenditures</b>	<b>Variance</b>
Current Expense Fund	\$ 553,989	\$ 562,854	\$ (8,865)
Current Expense	\$ 12,000	\$	\$ 12,000
Street Fund	\$ 180,907	\$ 148,793	\$ 32,114
Street Construction Reserve	\$ 485,000	\$ 424,895	\$ 60,105
Capital Improv Fund (REET) Reserve Fund	\$ 13,594	\$	\$ 13,594
Motel/Motel Tax Reserve Fund	\$ 1,000	\$	\$ 1,000
Misc. Capital Projects	\$	\$	\$
CDBG Rehab Reserve Fund	\$	\$	\$
Water/Sewer Fund	\$ 562,304	\$ 523,763	\$ 38,541
W/S Bond Redemption	\$ 16,400	\$ 16,460	\$ (60)
Debt (SIED) Service Fund	\$	\$	\$
W/S Bond Reserve	\$	\$	\$
Irrigation Capital Construct	\$	\$	\$
Water Construction	\$ 30,000	\$ 26,850	\$ 3,150
Sewer Construction	\$ 25,000	\$ 20,139	\$ 4,861
		\$	\$

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town Council.

d. Cash

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

e. Deposits

The TOWN OF NACHES's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

f. Investments See Note 3

g. Derivatives And Similar Transactions

The Town of Naches has no derivatives or similar transactions to report on.

h. Capital Assets

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

i. Compensated Absences

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

Sick leave may accumulate with no limit. Upon separation or retirement employees do not receive payment for unused sick leave

j. Long-Term Debt      See Note 6

k. Other Financing Sources Or Uses

The TOWN OF NACHES's "Other Financing Sources or Uses" consist of debt proceeds, debt service, and transfers-in and out between funds.

l. Risk Management

The **Town of Naches** is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2011, 86 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

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

The specific financials of the AWC RMSA can be obtained from the AWC RMSA Annual Report on file with the **Town of Naches**.

m. Reserved Fund Balance

The Town of Naches has reserved fund balances in:

- \$14,814.00 in the Water/Sewer Bond Reserve Fund to meet bond covenants for a USDA-RD Loan. The terms of the loan requires one (1) year of debt service to be reserved for the life of the loan.
- \$16,748.41 in the CDBG Rehab Fund – these funds are part of a federally funded revolving loan program for low income housing renovations.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

The Town of Naches adopted Ordinance #666 amending the 2011 Budget at the time fund 001 didn't need additional appropriations. Unforeseen expenditures at year end with a former employee. Town of Naches paying unemployment benefits in addition to paying the new Clerk – Treasurer which it caused, fund 001 negative balance of (8,865).

There were no other material violations of finance related legal or contractual provisions.

### NOTE 3 – INVESTMENTS

The Town of Naches's investments are insured, registered or held by the Town of Naches or its agent in the Town's name. All investments are presented at cash value.

Investments by type at December 31, 2011 are as follows:

Type of Investment	Town of Naches Own investments	Investments held by Town of Naches as an agent for others	Total
L.G.I.P.	\$960,529.62	\$0.00	\$960,529.62
Other			
Total	\$960,529.62	\$0.00	\$960,529.62

### NOTE 4 – PROPERTY TAX

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

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

The Town of Naches's regular levy for the year 2011 was 2.3773 per \$1,000 on an assessed valuation of \$49,995,214., for a total regular levy of \$114,967.98.

### NOTE 5 – INTERFUND LOANS AND ADVANCES

There were no Interfund loans or advances for the year 2011

#### NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Town of Naches and summarizes the Town's debt transactions for 2011. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General					
	Obligation		Revenue		Other	Total
	Bonds		Bonds		Debt	Debt
2011	\$ 11,795.00		\$ 4,665.00		\$ 40,487.50	\$ 56,947.50
2012	\$ 11,795.00		\$ 4,665.00		\$ 69,305.61	\$ 85,765.61
2013	\$ 11,795.00		\$ 4,665.00		\$ 68,969.26	\$ 85,429.26
2014	\$ 11,795.00		\$ 4,665.00		\$ 68,632.90	\$ 85,092.90
2015	\$ 11,795.00		\$ 4,665.00		\$ 68,296.52	\$ 84,756.52
2016	\$ 11,795.00		\$ 4,665.00		\$ 67,960.17	\$ 84,420.17
2017-2021	\$ 58,975.00		\$ 23,325.00		\$ 275,280.26	\$ 357,580.26
2022-2026	\$ 58,975.00		\$ 23,325.00		\$ -	\$ 82,300.00
2027-2031	\$ 58,975.00		\$ 23,325.00		\$ -	\$ 82,300.00
2032-2036			\$ 23,325.00		\$ -	\$ 23,325.00
2037-2041			\$ 23,325.00		\$ -	\$ 23,325.00
2042-2046			\$ 4,665.00		\$ -	\$ 4,665.00
2047			\$ -		\$ -	\$ -
TOTALS	\$247,695.00		\$ 149,280.00		\$ 658,932.22	\$ 1,055,907.22

#### NOTE 7 – PENSION PLANS

Substantially all Town of Naches's full-time and qualifying part-time employees participate in PERS II\_ administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Town of Naches's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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

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

## OTHER DISCLOSURES

The Town has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- General Fund (Current Expense) includes the funds of 004 and 104
- Water/Sewer Utility Fund includes the funds of 402, 403, 404, 409, 410, and 420

The Town has entered into multiple agreements for SIED Grants/ Loans. These loans are an obligation of the private entities that the Town has made agreements and the Town only serves as a collection/contractual agency for these funds. When payments are made these funds are recorded in the 403 fund to be repaid yearly to Yakima County (Grant provider).

**Town of Naches**  
**Schedule of Liabilities**  
**For the year ended December 31, 2013**

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
<b>General Obligations</b>							
	263.81	SIED LOAN- Orig -1/2010	6/1/2021	235,139	0	23,679	211,460
	263.81	SIED LOAN- Orig- 6/1/2010	6/1/2021	233,045	0	23,468	209,577
	263.81	SIED LOAN- Orig-6/19/2012	6/1/2020	74,788	0	0	74,788
	259.11	Compensated Absence-Gen'l Oblg		11,561	111	0	11,672
<b>Total General Obligations:</b>				<b>554,533</b>	<b>111</b>	<b>47,147</b>	<b>507,497</b>
<b>Revenue Obligations</b>							
	263.82	PWTF-Sewer-Orig/ 6/99	7/1/2019	209,209	0	29,887	179,322
	263.82	PWTF-Water-Orig 6/2001	7/1/2021	67,484	0	7,498	59,986
	252.11	USDA-RD-Sewer- Orig 6/2002	6/25/2042	268,026	0	4,399	263,627
	259.12	Compensated Absence-Revenue		3,244	1,786	0	5,030
	263.82	PWTF- Orig -12/2013	10/1/2037	0	2,110	0	2,110
<b>Total Revenue Obligations:</b>				<b>547,963</b>	<b>3,896</b>	<b>41,784</b>	<b>510,075</b>
<b>Total Liabilities:</b>				<b>1,102,496</b>	<b>4,007</b>	<b>88,931</b>	<b>1,017,572</b>

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



MCAG NO. 0842

**Town of Naches**

Schedule 09

**Schedule of Liabilities**  
**For the year ended December 31, 2012**

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
<b>General Obligations</b>							
	251.11	SIED Loan Orig 1/2010	6/5/2021	250,000	0	14,861	235,139
	251.11	SIED Loan Orig 6/2010	6/5/2021	250,000	0	16,954	233,046
	251.11	SIED Loan Orig- June 2012	6/1/2020	0	74,788	0	74,788
	259.11	Compensated Absence-Gen'l Oblg	12/31/2012	11,678	0	117	11,561
<b>Total General Obligations:</b>				<b>511,678</b>	<b>74,788</b>	<b>31,933</b>	<b>554,533</b>
<b>Revenue Obligations</b>							
	252.11	USDA-RD Sewer Orig 6/2002	6/25/2042	272,235	0	4,209	268,026
	259.12	Compensated Absence	12/31/2012	4,212	0	968	3,244
	263.82	PWTF-Sewer Origin 6/99	7/1/2019	239,096	0	29,887	209,209
	263.82	PWTF- Water Orig 6/02	7/1/2021	74,983	0	7,498	67,484
<b>Total Revenue Obligations:</b>				<b>590,526</b>	<b>0</b>	<b>42,563</b>	<b>547,963</b>
<b>Total Liabilities:</b>				<b>1,102,204</b>	<b>74,788</b>	<b>74,496</b>	<b>1,102,496</b>

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

**Town of Naches**  
**Schedule of Liabilities**  
**For the year ended December 31, 2011**

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2011	Additions	Reductions	Ending Balance December 31, 2011
<b>General Obligations</b>							
	259.11	Compensated Absence- Gen'l Oblg		11,678	0	0	11,678
<b>Total General Obligations:</b>				<b>11,678</b>	<b>0</b>	<b>0</b>	<b>11,678</b>
<b>Revenue Obligations</b>							
	252.11	PWTF-Sewer- Orig 6/99	7/1/2019	268,983	0	29,887	239,096
	252.11	PWTF- Water- Orig 5/01	7/1/2021	82,481	0	7,498	74,983
	252.11	USDA LOAN- Orig 6/02	6/20/2042	276,263	0	4,028	272,235
	252.11	SIED LOAN- Orig Jan 2010	4/20/2021	250,000	0	0	250,000
	252.11	SIED LOAN- Orig Jan/ 2010	4/20/2021	250,000	0	0	250,000
<b>Total Revenue Obligations:</b>				<b>1,127,727</b>	<b>0</b>	<b>41,413</b>	<b>1,086,314</b>
<b>Total Liabilities:</b>				<b>1,139,405</b>	<b>0</b>	<b>41,413</b>	<b>1,097,992</b>

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

MCAG NO. 0842

Town of Naches

Schedule 16

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2013**

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Dept. of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA Dep of Commerce	240		240	1,3
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT-STPR-X391 (004)	Highway Planning and Construction	20.205	LA-7745	349,516		349,516	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT-STPF-X391 (004)	Highway Planning and Construction	20.205	LA-7773,TA-4814	363,702		363,702	1,2
Total CFDA 20.205				713,218	0	713,218	
Total Federal Awards Expended:				713,458	0	713,458	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

NACHES, WASHINGTON  
**(TOWN OF NACHES)**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2013**

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the town's financial statements. The Town uses the cash basis method of accounting as prescribed by SAO.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the town's portion, are more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The town has a revolving loan program for low income housing renovation. Under this federal program, repayments to the town are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$0.00 and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$240.00.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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