



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Stevenson

Skamania County

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

Published October 27, 2014

Report No. 1012820





**Washington State Auditor
Troy Kelley**

October 27, 2014

Mayor and City Council
City of Stevenson
Stevenson, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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**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 Stevenson
Skamania County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Stevenson
Stevenson, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Stevenson, Skamania 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 financial statements, and have issued our report thereon dated September 18, 2014. As discussed in Note 1 to the financial statements, the City elected to change its basis of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2013.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed 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 audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

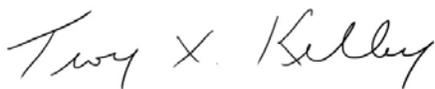
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

September 18, 2014

Independent Auditor's Report on Financial Statements

**City of Stevenson
Skamania County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Stevenson
Stevenson, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Stevenson, Skamania County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Stevenson 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 City of Stevenson, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Matters of Emphasis

As discussed in Note 1, in 2013 the City changed its basis of accounting from generally accepted accounting principles to a special purpose framework. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is 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 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

September 18, 2014

Financial Section

**City of Stevenson
Skamania County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 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	100 Street Fund	103 Tourism Promo & Develop Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	1,434,482	7,723	0	718,900
30880	Beg Fund Bal-Unreserved	1,921,134	1,171,987	149,341	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	1,287,072	679,616	237,797	353,348
320	Licenses & Permits	13,373	13,048	325	0
330	Intergovernmental Revenues	199,476	28,734	45,086	0
340	Charges for Goods and Services	945,132	39,046	0	0
350	Fines & Penalties	13,466	13,466	0	0
360	Miscellaneous Revenues	10,529	2,078	421	1,724
Total Operating Revenues:		2,469,047	775,988	283,628	355,072
Operating Expenditures					
510	General Government	288,855	288,855	0	0
520	Public Safety	213,365	213,365	0	0
530	Utilities	633,318	0	0	0
540	Transportation	259,061	0	195,553	0
550	Natural and Economic Environment	145,631	145,631	0	0
560	Social Services	6,294	6,020	273	0
570	Culture And Recreation	368,993	38,101	0	330,893
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		1,915,516	691,971	195,826	330,893
Net Operating Increase (Decrease):		553,531	84,016	87,802	24,179
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	36,469	0	0	30,669
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	114,287	0	0	0
Total Nonoperating Revenues:		150,756			30,669
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	30,669	22,214	0	0
591-593	Debt Service	28,759	442	0	0
594-595	Capital Expenditures	308,132	6,144	30	0
597	Transfers-Out	114,287	4,287	0	10,000
Total Nonoperating Expenditures:		481,847	33,086	30	10,000
Increase (Decrease) in Cash and Investments		222,440	50,930	87,772	44,848
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,558,436	7,742	0	763,749
50880	End Fund Balance-Unreserved	2,019,639	1,222,917	237,114	0

The accompanying notes are an integral part of this Statement.

BARS Code		300 Capital Improvement Fund	302 Bridging Byways Trail Fund	303 Joint Emergency Facilities Fund	304 Gateway/Wayfinding Signage Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	263,585	47,435	0	0
30880	Beg Fund Bal-Unreserved	0	0	16,000	22,490
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	16,311	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	91,475	34,180	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	364	0	0	0
Total Operating Revenues:		16,675	91,475	34,180	
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):		16,675	91,475	34,180	0
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	0	4,287	0
Total Nonoperating Revenues:				4,287	
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	44,865	54,467	0
597	Transfers-Out	100,000	0	0	0
Total Nonoperating Expenditures:		100,000	44,865	54,467	
Increase (Decrease) in Cash and Investments		-83,325	46,610	-16,000	0
Ending Cash and Investments					
50810	End Fund Bal-Reserved	180,260	94,045	0	0
50880	End Fund Balance-Unreserved	0	0	0	22,490

The accompanying notes are an integral part of this Statement.

BARS Code		305 Quiet Zone/CERB Project	400 Water/Sewer Fund	500 Equipment Service Fund
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	396,839	0
30880	Beg Fund Bal-Unreserved	0	516,859	44,458
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	0	819,527	86,559
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	0	3,171	2,771
Total Operating Revenues:			822,697	89,331
Operating Expenditures				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities	0	633,318	0
540	Transportation	0	0	63,508
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:			633,318	63,508
Net Operating Increase (Decrease):			189,380	25,823
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	0	5,800	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	110,000	0	0
Total Nonoperating Revenues:			110,000	5,800
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	0	8,456	0
591-593	Debt Service	0	25,074	3,243
594-595	Capital Expenditures	0	202,626	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:			236,156	3,243
Increase (Decrease) in Cash and Investments			110,000	-40,976
Ending Cash and Investments				
50810	End Fund Bal-Reserved	110,000	402,639	0
50880	End Fund Balance-Unreserved	0	470,082	67,037

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	622 Trust Fund
308	Beginning Cash and Investments	33,305	33,305
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	45	45
380-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	0	0
	Increase (Decrease) in Cash and Investments	45	45
508	Ending Cash and Investments	33,349	33,349

The accompanying notes are an integral part of this Statement.

City of Stevenson
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies

Starting with the 2013 fiscal year, the City of Stevenson reported financial activity using the revenue and expenditure classifications, financial 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. Previous to the 2013 fiscal year, the City reported financial activity in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The City converted to the Cash basis of accounting in the 2013 fiscal year as more fully described in Note 1.B below.

The City of Stevenson was incorporated on December 2, 1907, and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor-council form of government. The City of Stevenson is a general purpose government that provides public safety, fire prevention, street maintenance, planning, parks maintenance, water and sewer, municipal court, health and social services and general administrative services. The City uses double-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. **Fund Accounting**

The accounts of the City of Stevenson 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 accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Stevenson:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes. The City of Stevenson uses two Special Revenue Funds: A Street Fund and a Tourism Promotion Fund (Lodging tax fund).

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. The City of Stevenson uses one primary Capital Projects Fund (Fund 300) with separate capital projects funds for each major project.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The City of Stevenson uses one Enterprise Fund to account for the operations of its water & sewer systems.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that the City 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 when cash is received during the fiscal year. Expenditures are recognized when paid during the fiscal year or within the first 20 days of the following year when properly chargeable to the report year as required by State law RCW 35A.33.150.

The City converted to the Cash basis of accounting effective January 1, 2013, the start of the 2013 fiscal year. As a result of this conversion, certain revenues and expenditures previously accrued to fiscal year 2012 under the accrual basis are shown again as 2013 revenues and expenditures under the Cash basis. In addition, under the Cash basis of accounting, cash balances are reduced for payments made in the first 20 days of the following year as described in the preceding paragraph, causing the beginning cash balance reported under the Cash basis for fiscal year 2013 to be different than the ending cash balance reported under the Accrual basis for fiscal year 2012 in some funds.

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

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

C. Budgets

The City of Stevenson adopts annual budgets for eleven funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations lapse at the end of the fiscal year.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 - General Fund	\$ 1,126,615	\$ 725,058	\$ 401,557
100 - Street Fund	325,950	195,856	130,094
103 - Tourism Promotion Fund	691,714	340,893	350,821
300 - Capital Improvements Fund	166,300	100,000	66,300
302 - Bridging Byways Trail	570,744	44,865	525,879
303 - Joint Emergency Facilities Study	56,000	54,467	1,533
304 - Gateway Park / Wayfinding Signage	22,490	-	22,490
305 - Quiet Zone Fund	571,000	-	571,000
400 - Water / Sewer Fund	1,144,473	869,474	274,999
500 - Equipment Service Fund	140,415	66,751	73,664
622 - Unemployment Fund	\$ 33,290	\$ -	\$ 33,290

Budgeted amounts may be transferred between departments or object classes within any fund, 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 City Council.

D. Cash

It is the City's policy to invest temporary cash surpluses when higher earnings are available. This amount is included in cash and investments shown on the financial statements. Interest earned on these investments is prorated to the applicable funds.

E. Deposits

City deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 3, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500. Capital assets are recorded as expenditures when purchased.

H. Compensated Absences

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

Sick leave may be accumulated up to 1,440 hours. Unused accumulated sick leave is compensated by the City at the rate of 25% of the total remaining balance on retirement or separation after 25 years.

I. Long-Term Debt See Note 6, *Debt Service Requirements*.

J. Other Financing Sources or Uses

Other Financing Sources and Uses for the City of Stevenson consist of:

1. \$30,669 of interfund loan payments principal received by the Tourism Promotion Fund from the General Fund (\$22,214) and the Water/Sewer Fund (\$8,455).
2. \$5,800 of capital contributions received by the Water / Sewer Fund for new construction systems development charges.

K. Risk Management

The City of Stevenson is a member of an insurance pool, the Cities Insurance Association of Washington, as authorized by Chapter 39.34 RCW. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2013 there were 236 members in the pool.

The program provides Property Insurance (including automobile comprehensive and collision, equipment breakdown and crime protection) and Liability Insurance (including general, automobile and wrongful acts).

The pool acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self insured retention of \$100,000. Members are responsible for the first \$1,000 of the deductible portion of each claim, while the pool is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 portion of the self-insured retention. The pool also purchases a Stop Loss Policy with a limit of \$3,247,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence self insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The pool is responsible for \$25,000 self insured retention in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. There is no pooled self insured retention for equipment breakdown coverage.

Members contract to remain in the program for a minimum of one year. The Interlocal Agreement is then renewed automatically each year until terminated. To terminate, members must give notice before August 31 to terminate participation the following September 1.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees, but has contracted with a third-party administrator, Canfield, to perform daily administration of the program including underwriting, brokerage, account education, risk management, and claims administration.

The Unemployment Fund (Fund 622) is responsible for paying unemployment claims. The Unemployment Fund is deemed to have sufficient funds to pay expected claims so interfund transfers from insured funds have been suspended since 2010. The balance in the Unemployment Fund will be reviewed annually.

Unemployment claims are processed by the Washington State Employment Security Department. Claims filed are sent to the City of Stevenson for verification and approval or contestment. The Employment Security Department then bills the City of Stevenson for claims paid out.

No unemployment benefits were paid by the City of Stevenson in the past three fiscal years (fiscal years ended December 31 2011, 2012, and 2013).

L. Reserved Fund Balance

The following funds have Reserved Balances as shown on the *Statement of Fund Resources and Uses Arising From Cash Transactions*:

- General Fund – The amount reserved in the General Fund is for Municipal Court and for Custodial Accounts (cash in the custody of the City of Stevenson but due to the State for various legislative mandated assessments).
- Tourism Promotion Fund – The only source of revenue in the Tourism Promotion Fund is lodging tax receipts, which are reserved for tourism promotion activities per state law (RCW 67.28.1816).
- Capital Improvement Fund - The only source of revenue in the Capital Projects Fund is the Real Estate Excise Tax (REET) which is reserved for certain types of capital improvements per state law (RCW 82.46.010).
- Bridging Byways Community Trail – The balance in this fund is from project specific Federal grants and transfers from other reserved sources (Capital Improvement Fund).
- Quiet Zone / CERB Project – The balance in this fund is from other reserved sources (Capital Improvement Fund and Tourism Promotion Fund)
- Water / Sewer Fund – The reserved portion of the Water / Sewer Fund is from new connection charges (Systems Development Charges) that are required by state law to be used for new construction activities related to water and sewer plant capital improvements.
- The Street Fund receives motor vehicle fuel excise taxes (a restricted revenue source), but all such revenues are fully spent in the year of receipt.

Note 2 – Compliance and Accountability

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City.

Note 3 - Investments

The City’s investments are insured, registered or held by the City or its agent in the City’s name. The City does not hold any investments as an agent for other local governments, individuals, or private organizations. Investments are presented at cost. City deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

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

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P	\$2,420,000
Public Funds Certificates of Deposit	<u>245,000</u>
Total:	<u>\$2,665,000</u>

Note 4 - Property Taxes

The Skamania 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 City of Stevenson. Delinquent taxes are considered fully collectible because a lien affixes to the property after the tax is levied.

The City’s regular levy for fiscal year 2013 was \$2.053067 per \$1,000 of assessed value on a total assessed valuation of \$201,430,758 for a total levy of \$413,551 after State Assessment adjustments.

Note 5 - Interfund Loans

The following table displays interfund loan activity during fiscal year 2013:

<u>Borrowing Fund:</u>	<u>Lending Fund</u>	<u>Balance 1/1/2013</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2013</u>
General Fund	Tourism	22,214	0	22,214	0
Water/Sewer	Tourism	8,455	0	8,455	0
Totals:		<u>30,669</u>	<u>0</u>	<u>30,669</u>	<u>0</u>

Note 6 – Debt Service Requirements

The accompanying *Schedule of Long-Term Liabilities* (Schedule 09) provides more details of the City’s outstanding debt and liabilities and summarizes the City’s debt transactions for the year ended December 31, 2013.

The City of Stevenson issues general obligation and revenue bonds to finance the construction of infrastructure and the purchase of major capital assets. There are no general obligation bonds currently outstanding. The City borrowed from the Public Works Trust Fund for a major water system upgrade in

2007 and from Rural Development (USDA) for the purchase of a street sweeper in 2009. The Water/Sewer fund is repaying the Public Works Trust Fund loan. The Equipment Service Fund is repaying the USDA loan.

The debt service requirements for outstanding loans and bonds, including both principle and interest, are as follows:

Public Works Trust Fund Revenue Bond Scheduled Payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	23,273	1,513	24,786
2015	23,273	1,396	24,669
2016	23,273	1,280	24,553
2017	23,273	1,164	24,437
2018	23,273	1,047	24,320
2019-2026	186,187	4,189	190,376
Total	302,552	10,589	313,141

USDA Revenue Bond Scheduled Payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2,620	623	3,243
2015	2,735	508	3,243
2016	2,855	388	3,243
2017	2,980	263	3,243
2018	3,041	133	3,174
Thereafter	-	-	-
Total	14,231	1,915	16,146

Note 7 - Pension Plans

Substantially all of the City of Stevenson’s employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement Systems. PERS is a cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plan. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Stevenson’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trends and 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

MCAG NO. 0652

Schedule 09

City of Stevenson
 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
General Obligations							
	251.11	PWTF Loan, Water System Upgrades	6/1/2026	325,827	0	23,273	302,554
	251.11	USDA Street Sweeper Loan	10/1/2018	16,788	0	2,557	14,231
	259.11	Vacation Accrual		27,369	0	7,883	19,486
	259.11	Sick Leave Buyout		23,484	0	23,484	0
		Total General Obligations:		393,468	0	57,197	336,271
		Total Liabilities:		393,468	0	57,197	336,271

The accompanying 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 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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