



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements Audit Report**

# **City of White Salmon**

**Klickitat County**

**For the period January 1, 2012 through December 31, 2013**

**Published December 22, 2014**

**Report No. 1013231**





**Washington State Auditor**  
**Troy Kelley**

December 22, 2014

Mayor and City Council  
City of White Salmon  
White Salmon, Washington

**Report on Financial Statements**

Please find attached our report on the City of White Salmon'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 White Salmon  
Klickitat County  
January 1, 2012 through December 31, 2013**

Mayor and City Council  
City of White Salmon  
White Salmon, 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 White Salmon, Klickitat County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 15, 2014.

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 audits 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.

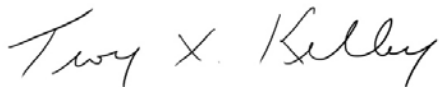
## ***COMPLIANCE AND OTHER MATTERS***

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

December 15, 2014

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

## **City of White Salmon Klickitat County January 1, 2012 through December 31, 2013**

Mayor and City Council  
City of White Salmon  
White Salmon, Washington

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

We have audited the accompanying financial statements of the City of White Salmon, Klickitat County, Washington, for the years ended December 31, 2013 and 2012, 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 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 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 White Salmon 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 White Salmon, for the years ended December 31, 2013 and 2012, 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 White Salmon, as of December 31, 2013 and 2012, 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 Schedules of Liabilities are 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 December 15, 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.

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

**TROY KELLEY**  
STATE AUDITOR

December 15, 2014



## **Financial Section**

**City of White Salmon  
Klickitat County  
January 1, 2012 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

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Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012  
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### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Liabilities – 2012

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

| BARS Code  |                                  | Total for All funds* | 001 Current Expense | 101 Street Fund | 200 Unlimited Go Bond Fund |
|--|----------------------------------|----------------------|---------------------|-----------------|----------------------------|
| <b>Beginning Cash and Investments</b>              |                                  |                      |                     |                 |                            |
| 30810  | Beg Fund Bal-Reserved            | 954,617              | 53,482              | 0               | 5,075                      |
| 30880  | Beg Fund Bal-Unreserved          | 1,471,113            | 152,992             | 210,743         | 0                          |
| 38800/58800  | Prior Period Adjustments, net    | 0                    | 0                   | 0               | 0                          |
| <b>Operating Revenues</b>                          |                                  |                      |                     |                 |                            |
| 310  | Taxes                            | 1,392,739            | 1,120,407           | 145,927         | 91,878                     |
| 320  | Licenses & Permits               | 79,776               | 79,776              | 0               | 0                          |
| 330  | Intergovernmental Revenues       | 469,176              | 108,753             | 178,175         | 0                          |
| 340  | Charges for Goods and Services   | 2,965,153            | 544,286             | 0               | 0                          |
| 350  | Fines & Penalties                | 36,760               | 18,470              | 0               | 0                          |
| 360  | Miscellaneous Revenues           | 125,149              | 34,585              | 33,344          | 114                        |
| <b>Total Operating Revenues:</b>                   |                                  | <b>5,068,752</b>     | <b>1,906,277</b>    | <b>357,447</b>  | <b>91,991</b>              |
| <b>Operating Expenditures</b>                      |                                  |                      |                     |                 |                            |
| 510  | General Government               | 538,534              | 538,534             | 0               | 0                          |
| 520  | Public Safety                    | 791,399              | 791,399             | 0               | 0                          |
| 530  | Utilities                        | 2,156,082            | 720                 | 0               | 0                          |
| 540  | Transportation                   | 162,527              | 0                   | 162,527         | 0                          |
| 550  | Natural and Economic Environment | 45,014               | 45,014              | 0               | 0                          |
| 560  | Social Services                  | 0                    | 0                   | 0               | 0                          |
| 570  | Culture And Recreation           | 131,588              | 131,588             | 0               | 0                          |
| 598  | Intergovernmental Payments       | 0                    | 0                   | 0               | 0                          |
| <b>Total Operating Expenditures:</b>               |                                  | <b>3,825,142</b>     | <b>1,507,254</b>    | <b>162,527</b>  |                            |
| <b>Net Operating Increase (Decrease):</b>          |                                  | <b>1,243,608</b>     | <b>399,022</b>      | <b>194,920</b>  | <b>91,991</b>              |
| <b>Nonoperating Revenues</b>                       |                                  |                      |                     |                 |                            |
| 370, 380, 395, 398                                 | Other Financing Sources          | 341,010              | 151,938             | 0               | 0                          |
| 391-393  | Debt Proceeds                    | 25,323               | 0                   | 0               | 0                          |
| 397  | Transfers-In                     | 122,596              | 0                   | 0               | 0                          |
| <b>Total Nonoperating Revenues:</b>                |                                  | <b>488,929</b>       | <b>151,938</b>      |                 |                            |
| <b>Nonoperating Expenditures</b>                   |                                  |                      |                     |                 |                            |
| 580, 596, 599                                      | Other Financing Uses             | 114,642              | 69,102              | 0               | 0                          |
| 591-593  | Debt Service                     | 501,140              | 857                 | 0               | 89,592                     |
| 594-595  | Capital Expenditures             | 819,245              | 121,253             | 310,384         | 0                          |
| 597  | Transfers-Out                    | 122,596              | 122,596             | 0               | 0                          |
| <b>Total Nonoperating Expenditures:</b>            |                                  | <b>1,557,623</b>     | <b>313,808</b>      | <b>310,384</b>  | <b>89,592</b>              |
| <b>Increase (Decrease) in Cash and Investments</b> |                                  | <b>174,915</b>       | <b>237,152</b>      | <b>-115,464</b> | <b>2,399</b>               |
| <b>Ending Cash and Investments</b>                 |                                  |                      |                     |                 |                            |
| 50810  | End Fund Bal-Reserved            | 1,101,302            | 85,452              | 0               | 7,475                      |
| 50880  | End Fund Balance-Unreserved      | 1,499,344            | 358,174             | 95,279          | 0                          |

The accompanying notes are an integral part of this Statement.

| BARS Code  |                                     | 301 Municipal<br>Capital<br>Improvement<br>Fund | 401 Water Fund   | 402 Wastewater<br>Collection Fund | 403 Refuse<br>Collection Fund |
|--|-------------------------------------|---|------------------|-----------------------------------|-------------------------------|
| <b>Beginning Cash and Investments</b>              |                                     |   |                  |                                   |                               |
| 30810  | Beg Fund Bal-Reserved               | 168,709   | 66,380           | 610,812                           | 50,159                        |
| 30880  | Beg Fund Bal-Unreserved             | 0   | 435,048          | 631,939                           | 40,392                        |
| 38800/58800  | Prior Period Adjustments, net       | 0   | 0                | 0                                 | 0                             |
| <b>Operating Revenues</b>                          |                                     |   |                  |                                   |                               |
| 310  | Taxes                               | 34,527  | 0                | 0                                 | 0                             |
| 320  | Licenses & Permits                  | 0   | 0                | 0                                 | 0                             |
| 330  | Intergovernmental Revenues          | 0   | 182,248          | 0                                 | 0                             |
| 340  | Charges for Goods and<br>Services   | 0   | 1,453,286        | 676,550                           | 291,031                       |
| 350  | Fines & Penalties                   | 0   | 18,290           | 0                                 | 0                             |
| 360  | Miscellaneous Revenues              | 803   | 28,520           | 26,592                            | 1,190                         |
| <b>Total Operating Revenues:</b>                   |                                     | <b>35,330</b>                                   | <b>1,682,344</b> | <b>703,142</b>                    | <b>292,222</b>                |
| <b>Operating Expenditures</b>                      |                                     |   |                  |                                   |                               |
| 510  | General Government                  | 0   | 0                | 0                                 | 0                             |
| 520  | Public Safety                       | 0   | 0                | 0                                 | 0                             |
| 530  | Utilities                           | 0   | 1,322,131        | 571,528                           | 261,703                       |
| 540  | Transportation                      | 0   | 0                | 0                                 | 0                             |
| 550  | Natural and Economic<br>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                             |
| <b>Total Operating Expenditures:</b>               |                                     |   | <b>1,322,131</b> | <b>571,528</b>                    | <b>261,703</b>                |
| <b>Net Operating Increase (Decrease):</b>          |                                     | <b>35,330</b>                                   | <b>360,213</b>   | <b>131,614</b>                    | <b>30,518</b>                 |
| <b>Nonoperating Revenues</b>                       |                                     |   |                  |                                   |                               |
| 370, 380, 395, 398                                 | Other Financing Sources             | 0   | 143,220          | 44,101                            | 1,750                         |
| 391-393  | Debt Proceeds                       | 0   | 25,323           | 0                                 | 0                             |
| 397  | Transfers-In                        | 122,596   | 0                | 0                                 | 0                             |
| <b>Total Nonoperating Revenues:</b>                |                                     | <b>122,596</b>                                  | <b>168,543</b>   | <b>44,101</b>                     | <b>1,750</b>                  |
| <b>Nonoperating Expenditures</b>                   |                                     |   |                  |                                   |                               |
| 580, 596, 599                                      | Other Financing Uses                | 0   | 0                | 0                                 | 45,541                        |
| 591-593  | Debt Service                        | 0   | 275,502          | 134,729                           | 459                           |
| 594-595  | Capital Expenditures                | 78,906  | 117,115          | 189,121                           | 2,466                         |
| 597  | Transfers-Out                       | 0   | 0                | 0                                 | 0                             |
| <b>Total Nonoperating Expenditures:</b>            |                                     | <b>78,906</b>                                   | <b>392,617</b>   | <b>323,850</b>                    | <b>48,466</b>                 |
| <b>Increase (Decrease) in Cash and Investments</b> |                                     | <b>79,020</b>                                   | <b>136,139</b>   | <b>-148,135</b>                   | <b>-16,198</b>                |
| <b>Ending Cash and Investments</b>                 |                                     |   |                  |                                   |                               |
| 50810  | End Fund Bal-Reserved               | 247,729   | 84,464           | 605,942                           | 70,240                        |
| 50880  | End Fund Balance-Unreserved         | 0   | 553,104          | 488,673                           | 4,113                         |

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 Current Expense | 101 Street Fund | 200 Unlimited Go Bond Fund |
|--|--------------------------------|----------------------|---------------------|-----------------|----------------------------|
| <b>Beginning Cash and Investments</b>              |                                |                      |                     |                 |                            |
| 30810  | Beg Fund Bal-Reserved          | 891,827              | 8,820               | 0               | 1,217                      |
| 30880  | Beg Fund Bal-Unreserved        | 1,470,989            | 69,188              | 164,567         | 0                          |
| 38800/58800  | Prior Period Adjustments, net  | 4,578                | 4,578               | 0               | 0                          |
| <b>Operating Revenues</b>                          |                                |                      |                     |                 |                            |
| 310  | Taxes                          | 1,188,495            | 949,022             | 133,866         | 86,220                     |
| 320  | Licenses & Permits             | 71,027               | 71,027              | 0               | 0                          |
| 330  | Intergovernmental Revenues     | 739,889              | 387,562             | 52,668          | 0                          |
| 340  | Charges for Goods and Services | 2,664,274            | 352,704             | 0               | 0                          |
| 350  | Fines & Penalties              | 37,508               | 18,518              | 0               | 0                          |
| 360  | Miscellaneous Revenues         | 191,443              | 48,810              | 219             | 0                          |
| <b>Total Operating Revenues:</b>                   |                                | <b>4,892,636</b>     | <b>1,827,643</b>    | <b>186,753</b>  | <b>86,220</b>              |
| <b>Operating Expenditures</b>                      |                                |                      |                     |                 |                            |
| 510  | General Government             | 494,129              | 494,129             | 0               | 0                          |
| 520  | Public Safety                  | 981,025              | 981,025             | 0               | 0                          |
| 530  | Utilities And Environment      | 2,221,480            | 746                 | 0               | 0                          |
| 540  | Transportation                 | 132,041              | 0                   | 132,041         | 0                          |
| 550  | Economic Environment           | 42,170               | 42,170              | 0               | 0                          |
| 560  | Mental & Physical Health       | 0                    | 0                   | 0               | 0                          |
| 570  | Culture And Recreation         | 111,688              | 111,688             | 0               | 0                          |
| 598  | Intergovernmental Payments     | 0                    | 0                   | 0               | 0                          |
| <b>Total Operating Expenditures:</b>               |                                | <b>3,982,533</b>     | <b>1,629,758</b>    | <b>132,041</b>  |                            |
| <b>Net Operating Increase (Decrease):</b>          |                                | <b>910,103</b>       | <b>197,885</b>      | <b>54,712</b>   | <b>86,220</b>              |
| <b>Nonoperating Revenues</b>                       |                                |                      |                     |                 |                            |
| 370, 380, 395, 398                                 | Other Financing Sources        | 162,715              | 32,685              | 0               | 0                          |
| 391-393  | Debt Proceeds                  | 0                    | 0                   | 0               | 0                          |
| 397  | Transfers-In                   | 25,440               | 7,914               | 948             | 7,000                      |
| <b>Total Nonoperating Revenues:</b>                |                                | <b>188,155</b>       | <b>40,599</b>       | <b>948</b>      | <b>7,000</b>               |
| <b>Nonoperating Expenditures</b>                   |                                |                      |                     |                 |                            |
| 580, 596, 599                                      | Other Financing Uses           | 111,855              | 66,541              | 0               | 0                          |
| 591-593  | Debt Service                   | 515,600              | 1,121               | 0               | 89,362                     |
| 594-595  | Capital Expenditures           | 405,467              | 39,934              | 9,486           | 0                          |
| 597  | Transfers-Out                  | 7,000                | 7,000               | 0               | 0                          |
| <b>Total Nonoperating Expenditures:</b>            |                                | <b>1,039,922</b>     | <b>114,596</b>      | <b>9,486</b>    | <b>89,362</b>              |
| <b>Increase (Decrease) in Cash and Investments</b> |                                | <b>58,336</b>        | <b>123,888</b>      | <b>46,174</b>   | <b>3,858</b>               |
| <b>Ending Cash and Investments</b>                 |                                |                      |                     |                 |                            |
| 50810  | End Fund Bal-Reserved          | 954,617              | 53,482              | 0               | 5,075                      |
| 50880  | End Fund Balance-Unreserved    | 1,471,113            | 152,992             | 210,741         | 0                          |

The accompanying notes are an integral part of this Statement.

| BARS Code                                   |                                   | 301 Municipal<br>Capital<br>Improvement<br>Fund | 401 Water Fund | 402 Wastewater<br>Collection Fund | 403 Refuse<br>Collection Fund |
|---|-----------------------------------|---|----------------|-----------------------------------|-------------------------------|
| <b>Beginning Cash and Investments</b>       |                                   |   |                |                                   |                               |
| 30810                                       | Beg Fund Bal-Reserved             | 199,416   | 49,545         | 592,103                           | 40,726                        |
| 30880                                       | Beg Fund Bal-Unreserved           | 0   | 502,103        | 677,455                           | 57,676                        |
| 38800/58800                                 | Prior Period Adjustments, net     | 0   | 0              | 0                                 | 0                             |
| <b>Operating Revenues</b>                   |                                   |   |                |                                   |                               |
| 310   | Taxes                             | 19,387  | 0              | 0                                 | 0                             |
| 320   | Licenses & Permits                | 0   | 0              | 0                                 | 0                             |
| 330   | Intergovernmental Revenues        | 0   | 299,659        | 0                                 | 0                             |
| 340   | Charges for Goods and<br>Services | 0   | 1,400,733      | 678,378                           | 232,459                       |
| 350   | Fines & Penalties                 | 0   | 18,990         | 0                                 | 0                             |
| 360   | Miscellaneous Revenues            | 348   | 138,263        | 3,263                             | 540                           |
| Total Operating Revenues:                   |                                   | 19,735  | 1,857,645      | 681,641                           | 232,999                       |
| <b>Operating Expenditures</b>               |                                   |   |                |                                   |                               |
| 510   | General Government                | 0   | 0              | 0                                 | 0                             |
| 520   | Public Safety                     | 0   | 0              | 0                                 | 0                             |
| 530   | Utilities And Environment         | 0   | 1,491,528      | 524,912                           | 204,294                       |
| 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:               |                                   |   | 1,491,528      | 524,912                           | 204,294                       |
| Net Operating Increase (Decrease):          |                                   | 19,735  | 366,117        | 156,729                           | 28,705                        |
| <b>Nonoperating Revenues</b>                |                                   |   |                |                                   |                               |
| 370, 380, 395, 398                          | Other Financing Sources           | 0   | 90,614         | 3,500                             | 35,916                        |
| 391-393                                     | Debt Proceeds                     | 0   | 0              | 0                                 | 0                             |
| 397   | Transfers-In                      | 0   | 6,311          | 1,629                             | 1,638                         |
| Total Nonoperating Revenues:                |                                   |   | 96,925         | 5,129                             | 37,554                        |
| <b>Nonoperating Expenditures</b>            |                                   |   |                |                                   |                               |
| 580, 596, 599                               | Other Financing Uses              | 0   | 0              | 0                                 | 45,314                        |
| 591-593                                     | Debt Service                      | 0   | 279,786        | 144,645                           | 686                           |
| 594-595                                     | Capital Expenditures              | 50,442  | 233,475        | 44,018                            | 28,112                        |
| 597   | Transfers-Out                     | 0   | 0              | 0                                 | 0                             |
| Total Nonoperating Expenditures:            |                                   | 50,442  | 513,261        | 188,663                           | 74,112                        |
| Increase (Decrease) in Cash and Investments |                                   | -30,707   | -50,219        | -26,805                           | -7,853                        |
| <b>Ending Cash and Investments</b>          |                                   |   |                |                                   |                               |
| 50810                                       | End Fund Bal-Reserved             | 168,709   | 66,380         | 610,812                           | 50,159                        |
| 50880                                       | End Fund Balance-Unreserved       | 0   | 435,049        | 631,941                           | 40,390                        |

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

| BARS Code                                   |                                       | Total for All funds | 611 Health Insurance Suspense Fund |
|---|---------------------------------------|---------------------|------------------------------------|
| 308   | Beginning Cash and Investments        | 10,241              | 10,241                             |
| 388 and 588                                 | Prior Period Adjustments, net         | 0                   | 0                                  |
| 310-360                                     | Revenues                              | 0                   | 0                                  |
| 370-390                                     | Other Increases and Financing Sources | 8,200               | 8,200                              |
| 510-570                                     | Expenditures                          | 0                   | 0                                  |
| 580-590                                     | Other Decreases and Financing Uses    | 18,440              | 18,440                             |
| Increase (Decrease) in Cash and Investments |                                       | -10,240             | -10,240                            |
| 508   | Ending Cash and Investments           | 1                   | 1                                  |

The accompanying notes are an integral part of this Statement.

## REPORTING

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

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

The City of White Salmon was incorporated in 1907 and operates under the laws of the state of Washington applicable to a class three, non-charter code city with a Mayor-Council form of government. The city is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, water wastewater collection, refuse collection and general administrative services. The city uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

#### A. Fund Accounting

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

#### GOVERNMENTAL FUND TYPES:

##### General (Current Expense) Fund

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

##### Special Revenue Funds

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

##### Debt Service Funds

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

##### Capital Projects Funds

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

## PROPRIETARY FUND TYPES:

### Enterprise Funds

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

#### 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 city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

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

#### C. Budgets

The city adopts an annual appropriated budgets for general, special revenue, capital project and enterprise funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes 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 follow:



| <b>Fund/Department</b>                          | <b>Final Appropriated<br/>Amounts</b> | <b>Actual<br/>Expenses</b> | <b>Variance</b>   |
|---|---------------------------------------|----------------------------|-------------------|
| <b>001 - Current Expense</b>                    |                                       |                            |                   |
| Current Expense                                 |                                       |                            |                   |
| Finance   | 470,186.00                            | 467,674.48                 | 2,511.52          |
| Central Services                                | 115,532.50                            | 110,501.26                 | 5,031.24          |
| General Government Services                     | 235,987.20                            | 200,425.03                 | 35,562.17         |
| Law Enforcement                                 | 758,516.42                            | 655,132.85                 | 103,383.57        |
| Fire Control                                    | 108,366.40                            | 120,450.30                 | -12,083.90        |
| Building  | 41,775.00                             | 44,124.04                  | -2,349.04         |
| Planning & Community Devel                      | 58,540.20                             | 53,441.57                  | 5,098.63          |
| Park Facilities                                 | 77,615.46                             | 64,533.56                  | 13,081.90         |
| Current Expense                                 | 1,866,519.18                          | 1,716,283.09               | 150,236.09        |
| Pool Fund                                       | 81,763.00                             | 76,824.16                  | 4,938.84          |
| Fire Reserve Fund                               | 45,000.00                             | 49,102.88                  | -4,102.88         |
| Police Vehicle Reserve Fund                     | 38,000.00                             | 37,852.34                  | 147.66            |
| <b>Total 001 - Current Expense</b>              | <b>2,031,282.18</b>                   | <b>1,880,062.47</b>        | <b>151,219.71</b> |
| <b>101 - Street Fund</b>                        | <b>543,935.84</b>                     | <b>472,910.56</b>          | <b>71,025.28</b>  |
| <b>200 - Unlimited Go Bond Fund</b>             | <b>89,600.00</b>                      | <b>89,591.75</b>           | <b>8.25</b>       |
| <b>301 - Municipal Capital Improvement Fund</b> | <b>192,500.00</b>                     | <b>78,906.05</b>           | <b>113,593.95</b> |
| <b>401 - Water Fund</b>                         |                                       |                            |                   |
| Water Fund                                      | 1,789,399.61                          | 1,714,748.36               | 74,651.25         |
| Water Reserve Fund                              | 170,000.00                            | 170,000.00                 |                   |
| Water Rights Acquisition Fund                   |                                       |                            |                   |
| Water Bond Redemption Fund                      | 26,744.00                             | 26,743.33                  | 0.67              |
| <b>Total 401 - Water Fund</b>                   | <b>1,986,143.61</b>                   | <b>1,911,491.69</b>        | <b>74,651.92</b>  |
| <b>402 - Wastewater Collection Fund</b>         |                                       |                            |                   |
| Wastewater Collection Fund                      | 867,278.00                            | 883,794.39                 | -16,516.39        |
| Wastewater Reserve Fund                         |                                       |                            |                   |
| Wastewater Bond Redemption Fund                 | 49,372.00                             | 54,371.67                  | -4,999.67         |
| Treatment Plant Reserve Fund                    | 94,252.00                             | 52,083.89                  | 42,168.11         |
| <b>Total 402 - Wastewater Collection Fund</b>   | <b>1,010,902.00</b>                   | <b>990,249.95</b>          | <b>20,652.05</b>  |
| <b>403 - Refuse Collection Fund</b>             |                                       |                            |                   |
| Refuse Collection Fund                          | 307,463.10                            | 330,168.87                 | -22,705.77        |
| Refuse Reserve Fund                             |                                       |                            |                   |
| Refuse O&M Reserve                              | 32,000.00                             | 50,000.00                  | -18,000.00        |
| <b>Total 403 - Refuse Collection Fund</b>       | <b>339,463.10</b>                     | <b>380,168.87</b>          | <b>-40,705.77</b> |

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

For reporting purposes, the following funds were rolled up: Pool, Fire Reserve and Police Vehicle Reserve were rolled up into the General Fund; Water Reserve, Water Rights Acquisition, Water Bond Redemption and Water Bond Reserve were rolled up into the Water Fund; Wastewater Reserve, Treatment Plant Reserve, Wastewater Bond Redemption and Wastewater Bond Reserve were rolled into the Wastewater Collection Fund; Refuse Reserve and Refuse O&M Reserve were rolled into the Refuse Collection Fund.

Interfund activity between managerial funds for transactions such as transfers and loans has been eliminated in the consolidation for the financials.

D. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the 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 or posted to the general (current expense) fund to cover the cost of banking fees.

E. Deposits

The 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 2, *Investments*.

G. Derivatives and Similar Transactions – Not Applicable

H. Capital Assets

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

I. Compensated Absences

Vacation leave may be accumulated without limitation, however the amount of accumulated leave that can be carried over into the succeeding calendar year will be limited to 80 hours. The Clerk/Treasurer must be notified in writing by Dec. 15<sup>th</sup> of vacation leave to be carried over to the following year (and approved by the Mayor or Public Works Director/City Administrator). Vacation leave is payable upon separation or retirement.

Sick leave may be accumulated 720 hours. Upon separation or retirement employees receive payment for 25 percent of unused sick leave.

J. Long-Term Debt See Note 5, *Debt Service Requirements*.

K. Other Financing Sources or Uses

The city's *Other Financing Sources or Uses* consist of transfers-in and out between funds.

L. Risk Management

The City of White Salmon is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34 cities 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 September 1, 2013, there are 236 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive, and collision, equipment breakdown and crime protection, and liability, including general, automobile, and wrongful acts, are included to fit members' various needs

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program 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 program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,247,000 to cap the total claims paid by the program in anyone 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 program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500 (\$10,000 for Pumps & Motors). Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

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. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31 2013, were \$1,423,059.12.

M. Reserved Fund Balance

The following Funds have a reserved balance:

- **General Fund**-The amount reserved from the General Fund is related to the Fire Reserve Fund, which is restricted by WSMC 3.24.030 and the Police Vehicle Reserve Fund, which is restricted by WSMC 3.24.031.
- **Unlimited GO Bond Fund**-The total amount is reserved as the fund is restricted by external parties (Obligation Debt).
- **Municipal Capital Improvements Fund**-The monies received for this fund are restricted by RCW 82.46.030
- **Water Fund**-The amount reserved in the Water Fund are related to the Water Rights Acquisition Fund, which is restricted by WSMC 3.24.220, and funds restricted by external parties (Obligation Debt and Revenue Bonds).
- **Wastewater Collection Fund**-The monies reserved for this fund are related to the Wastewater Reserve Fund, which is restricted by WSMC 3.24.170, the Treatment Plant Reserve Fund, which is restricted by WSMC 3.24.170, and funds restricted by external parties (Revenue Bonds).
- **Refuse Collection Fund**-The monies reserved for this fund are related to the Refuse Reserve Fund, which is restricted by WSMC 3.24.040.

**Note 2 - Investments**

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

Investments are presented monthly to the Finance Committee.

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

| Type of Investment     | City's Own Investments | Investments held by city as an agent for other local governments, individuals or private organizations | Total         |
|------------------------|------------------------|--|---------------|
| L.G.I.P                | \$ 315,282.18          |  | \$ 315,282.18 |
| Time Value Investments | 1,510,231.32           |  | 1,510,231.32  |
| Total                  | 1,825,513.50           |  | 1,825,513.50  |

**Note 3 - Property Tax**

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

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

The city's regular levy for the year 2013 was \$1.362 per \$1,000 on an assessed valuation of \$264,999,032 for a total regular levy of \$360,928.68.

#### **Note 4 - Interfund Loans**

The following table displays interfund loan activity during 2013:

| Borrowing Fund | Lending Fund | Balance 1/1/2013 | New Loans | Repayments   | Balance 12/31/2013 |
|----------------|--------------|------------------|-----------|--------------|--------------------|
| 1              | 408          | \$ 88,983.03     | \$ -      | \$ 22,000.00 | \$ 66,983.03       |
| 001            | 401          | \$ 22,465.53     | \$ -      | \$ 7,500.00  | \$ 14,965.53       |
| 001            | 401          | \$ 22,360.18     | \$ -      | \$ 7,500.00  | \$ 14,860.18       |
| 001            | 402          | \$ 10,039.45     | \$ -      | \$ 3,500.00  | \$ 6,539.45        |
| 001            | 403          | \$ 5,038.79      | \$ -      | \$ 1,750.00  | \$ 3,288.79        |
| 200            | 408          | \$ 2,360.40      | \$ 11.80  | \$ 1,000.00  | \$ 1,372.20        |
| 001            | 110          | \$ 5,903.00      | \$ -      | \$ 2,000.00  | \$ 3,903.00        |
| 001            | 408          | \$ 16,700.00     | \$ -      | \$ 8,344.50  | \$ 8,355.50        |
| 403            | 408          | \$ 91,872.53     | \$ -      | \$ 45,540.64 | \$ 46,331.89       |
|                |              |                  |           |              |                    |
|                | Totals       | \$ 265,722.91    | \$ 11.80  | \$ 99,135.14 | \$ 166,599.57      |

#### **Note 5 – Debt Service Requirements**

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

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

|           | General Obligation Bonds | Revenue Bonds | Other Debt     | Total Debt     |
|-----------|--------------------------|---------------|----------------|----------------|
| 2013      | \$ 88,290.00             | \$ 76,115.00  | \$ 329,116.05  | \$ 493,521.05  |
| 2014      | \$ 89,160.00             | \$ 79,015.00  | \$ 243,958.27  | \$ 412,133.27  |
| 2015      | \$ 89,735.00             | \$ 76,540.00  | \$ 239,157.48  | \$ 405,432.48  |
| 2016      | \$ 90,015.00             | \$ 40,015.00  | \$ 234,356.68  | \$ 364,386.68  |
| 2017      | \$ -                     | \$ 39,515.00  | \$ 229,555.92  | \$ 269,070.92  |
| 2018      | \$ -                     | \$ 39,940.00  | \$ 192,612.27  | \$ 232,552.27  |
| 2019-2023 | \$ -                     | \$124,320.00  | \$ 371,786.47  | \$ 496,106.47  |
| Totals    | \$ 357,200.00            | \$475,460.00  | \$1,840,543.14 | \$2,673,203.14 |

## **Note 6 - Pension Plans**

Substantially all city's full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), or Volunteer Firefighters' Relief and Pension Fund, 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 city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

## **Note 7 - Other Disclosures**

There have been seven instances of expenditures exceeding legal appropriations in three of the funds of the city. The areas of excess are the Fire Department, Fire Reserve and the Building Department within the Current Expense Fund, the Wastewater Bond Redemption and Wastewater Collection within the Wastewater Fund and the Refuse Collection and Refuse O&M Reserve within the Refuse Fund. The main drivers of the over expenditures were:

- Fire Department-increased contractual costs related to the Wildfire Reduction Grant, which also received more revenue than budgeted.
- Fire Reserves-the purchase in December of a Fire Extinguisher Training System, purchased mostly with a donation the department received in December.
- Building Department-increased contractual costs related to increased building inspections, however the revenues for the building department also increased in relation to the additional expenses.
- Wastewater Bond Redemption Fund-differing payment schedule between the Bank of New York and the initial payment schedule set upon the loan origination. It has been corrected for future years with The Bank of New York.
- Wastewater Fund-an additional transfer to the Wastewater Bond Redemption Fund to cover the additional costs noted above, increased contractual expenses for the recruitment services used for hiring of a Public Works Operations Manager, and increased Disposal Plant Services due to increased use (which also translated to increased revenue for service charges and connection fees).
- Refuse O&M Fund-an additional transfer to the Refuse Fund in order to maintain positive cash flow.
- Refuse Fund-the final calculation of Finance Overhead fee based on the number of transactions for 2013.

Due to the financial difficulty the Refuse Fund has had, and the drive to ensure the customers are getting the best service for their money, the city voted at the end of 2013 to relinquish its certificate for garbage collection. It took effect February 28, 2014 and Republic Services, the tariff holder for Klickitat County, took over the service on March 1, 2014.

The City Hall suffered a flood from a broken pipe in an upstairs bathroom that was discovered on October 1, 2012. City Hall relocated while the original City Hall was cleaned and repairs could be made. The city is continuing to work with the insurance company on reimbursement so that a way forward can be determined and the repairs to the city hall can begin. While we do not anticipate having to rebuild city hall without receiving any reimbursement from the insurance company, there is an unknown financial risk involved in the lack of a settlement.

## REPORTING

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

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

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#### **A. Fund Accounting**

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

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

##### **Special Revenue Funds**

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##### **Debt Service Funds**

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

##### **Capital Projects Funds**

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



## PROPRIETARY FUND TYPES:

### Enterprise Funds

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

## 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 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 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 city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

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

## C. Budgets

The city adopts annual appropriated budgets for general, special revenue, capital project, and enterprises funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes 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 follow:

| <b>Fund/Department</b>                          | <b>Final Appropriated<br/>Amounts</b> | <b>Actual<br/>Expenses</b> | <b>Variance</b>   |
|---|---------------------------------------|----------------------------|-------------------|
| <b>001 - Current Expense</b>                    |                                       |                            |                   |
| Current Expense                                 |                                       |                            |                   |
| Finance   | 421,052.15                            | 422,429.83                 | -1,377.68         |
| General Government Services                     | 208,916.93                            | 194,478.28                 | 14,438.65         |
| Law Enforcement                                 | 828,299.42                            | 785,605.66                 | 42,693.76         |
| Fire Control                                    | 117,761.00                            | 112,210.00                 | 5,551.00          |
| Building  | 104,590.00                            | 105,019.61                 | -429.61           |
| Planning & Community Devel                      | 51,985.00                             | 50,594.57                  | 1,390.43          |
| Park Facilities                                 | 53,471.46                             | 51,708.80                  | 1,762.66          |
| Pool  | 68,900.00                             | 65,929.12                  | 2,970.88          |
| Current Expense                                 | 1,854,975.96                          | 1,787,975.87               | 67,000.09         |
| Fire Reserve Fund                               | 0                                     | 0                          | 0                 |
| <b>Total 001 - Current Expense</b>              | <b>1,854,975.96</b>                   | <b>1,787,975.87</b>        | <b>67,000.09</b>  |
| <b>101 - Street Fund</b>                        | <b>221,315.75</b>                     | <b>141,526.72</b>          | <b>79,789.03</b>  |
| <b>200 - Unlimited Go Bond Fund</b>             | <b>89,361.75</b>                      | <b>89,361.75</b>           | <b>0</b>          |
| <b>301 - Municipal Capital Improvement Fund</b> | <b>51,000.00</b>                      | <b>50,441.80</b>           | <b>558.2</b>      |
| <b>401 - Water Fund</b>                         |                                       |                            |                   |
| Water Fund                                      | 2,150,344.19                          | 2,008,069.39               | 142,274.80        |
| Water Bond Redemption Fund                      | 29,505.00                             | 26,226.00                  | 3,279.00          |
| <b>Total 401 - Water Fund</b>                   | <b>2,179,849.19</b>                   | <b>2,034,295.39</b>        | <b>145,553.80</b> |
| <b>402 - Wastewater Collection Fund</b>         |                                       |                            |                   |
| Wastewater Collection Fund                      | 1,039,410.53                          | 730,996.75                 | 308,413.78        |
| Wastewater Reserve Fund                         | 367,500.00                            | 367,500.00                 | 0                 |
| Wastewater Bond Redemption Fund                 | 56,035.00                             | 64,288.46                  | -8,253.46         |
| Treatment Plant Reserve Fund                    | 95,578.00                             | 1,326.39                   | 94,251.61         |
| <b>Total 402 - Wastewater Collection Fund</b>   | <b>1,558,523.53</b>                   | <b>1,164,111.60</b>        | <b>394,411.93</b> |
| <b>403 - Refuse Collection Fund</b>             |                                       |                            |                   |
| Refuse Collection Fund                          | 292,051.98                            | 253,600.07                 | 38,451.91         |
| Refuse Reserve Fund                             | 25,000.00                             | 24,803.51                  | 196.49            |
| Refuse O&M Reserve                              | 57,000.00                             | 35,000.00                  | 22,000.00         |
| <b>Total 403 - Refuse Collection Fund</b>       | <b>374,051.98</b>                     | <b>313,403.58</b>          | <b>60,648.40</b>  |
| <b>611 - Health Insurance Suspense Fund</b>     | <b>19,820.36</b>                      | <b>18,440.85</b>           | <b>1,379.51</b>   |

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

For reporting purposes, the following funds were rolled up: Fire Reserve and Police Vehicle Reserve were rolled up into the General Fund; Water Reserve, Water Rights Acquisition, Water Bond Redemption and Water Bond Reserve were rolled up into the Water Fund; Wastewater Reserve, Treatment Plant Reserve, Wastewater Bond Redemption and Wastewater Bond Reserve were rolled into the Wastewater Collection Fund; Refuse Reserve and Refuse O&M Reserve were rolled into the Refuse Collection Fund.

Interfund activity between managerial funds for transactions such as transfers and loans has been eliminated in the consolidation for the financials.

D. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the 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 or posted to the general (current expense) fund to cover the cost of banking fees.

E. Deposits

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

F. Investments See Note 3, *Investments*.

G. Derivatives and Similar Transactions – Not Applicable

H. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of one year. The capital assets of the city are recorded as expenditures when purchased.

I. Compensated Absences

Vacation leave may be accumulated without limitation, however the amount of accumulated leave that can be carried over into the succeeding calendar year will be limited to 80 hours. The Clerk/Treasurer must be notified in writing by Dec. 15<sup>th</sup> of vacation leave to be carried over to the following year (and approved by the Mayor or Public Works Director/City Administrator). Vacation leave is payable upon separation or retirement.

Sick leave may be accumulated up to 720 hours for exempt employees or 1,000 hours for non-exempt employees. Upon separation or retirement employees receive payment for 25 percent of unused sick leave.

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

K. Other Financing Sources or Uses

The city's *Other Financing Sources or Uses* consist of transfers-in and out between funds.

L. Risk Management

The City of White Salmon is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34 cities 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 September 1, 2012, there are 240 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive, and collision, equipment breakdown and crime protection, and liability, including general, automobile, and wrongful acts, are included to fit members' various needs

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program 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 program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$2,815,000 to cap the total claims paid by the program in anyone 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 program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

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. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31 2012, were \$1,099,472.

M. Reserved Fund Balance

The following Funds have a reserved balance:

- **General Fund**-The amount reserved from the General Fund is related to the Fire Reserve Fund, which is restricted by WSMC 3.24.030 and the Police Vehicle Reserve Fund, which is restricted by WSMC 3.24.031.
- **Unlimited GO Bond Fund**-The total amount is reserved as the fund is restricted by external parties (Obligation Debt).
- **Municipal Capital Improvements Fund**-The monies received for this fund are restricted by RCW 82.46.030
- **Water Fund**-The amount reserved in the Water Fund are related to the Water Rights Acquisition Fund, which is restricted by WSMC 3.24.220, and funds restricted by external parties (Obligation Debt and Revenue Bonds).
- **Wastewater Collection Fund**-The monies reserved for this fund are related to the Wastewater Reserve Fund, which is restricted by WSMC 3.24.170, the Treatment Plant Reserve Fund, which is restricted by WSMC 3.24.170, and funds restricted by external parties (Revenue Bonds).
- **Refuse Collection Fund**-The monies reserved for this fund are related to the Refuse Reserve Fund, which is restricted by WSMC 3.24.040.
- **Health Insurance Suspense Fund**-The entire amount in this fund is reserved as the city is managing these funds for the employees as per the MOA with the Union to pay the employees' percentage of Health Insurance.

Note 2 - Investments

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

Investments are presented at monthly Budget/Finance Committee Meetings.

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

| Type of Investment     | City's Own Investments | Investments held by city as an agent for other local governments, individuals or private organizations | Total          |
|------------------------|------------------------|--|----------------|
| L.G.I.P                | \$ 314,752.26          |  | \$ 314,752.26  |
| Time Value Investments | 1,510,231.32           |  | 1,510,231.32   |
| Total                  | \$1,824,983.58         |  | \$1,824,983.58 |

### **Note 3 - Property Tax**

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

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

The city's regular levy for the year 2012 was \$1.08116680 per \$1,000 on an assessed valuation of \$276,054,092 for a total regular levy of \$301,704.02.

### **Note 4 - Interfund Loans**

The following table displays interfund loan activity during 2012:

| Borrowing Fund | Lending Fund | Balance 1/1/2012 | New Loans | Repayments   | Balance 12/31/2012 |
|----------------|--------------|------------------|-----------|--------------|--------------------|
| 1              | 408          | \$ 110,983.03    | \$ -      | \$ 22,000.00 | \$ 88,983.03       |
| 001            | 401          | \$ 29,965.53     | \$ -      | \$ 7,500.00  | \$ 22,465.53       |
| 001            | 401          | \$ 29,860.18     | \$ -      | \$ 7,500.00  | \$ 22,360.18       |
| 001            | 402          | \$ 13,539.45     | \$ -      | \$ 3,500.00  | \$ 10,039.45       |
| 001            | 403          | \$ 6,788.79      | \$ -      | \$ 1,750.00  | \$ 5,038.79        |
| 200            | 408          | \$ 4,338.71      | \$ 21.69  | \$ 2,000.00  | \$ 2,360.40        |
| 001            | 110          | \$ 7,903.00      | \$ -      | \$ 2,000.00  | \$ 5,903.00        |
| 001            | 408          | \$ 25,000.00     | \$ -      | \$ 8,300.00  | \$ 16,700.00       |
| 403            | 408          | \$ 137,186.60    | \$ -      | \$ 45,314.07 | \$ 91,872.53       |
|                |              |                  |           |              |                    |
|                | Totals       | \$ 365,565.29    | \$ 21.69  | \$ 99,864.07 | \$ 265,722.91      |

The second Interfund Loan on the list was incorrect for 2011 with a balance of \$29,889.25. The correct initial balance should have been \$29,965.53. A difference of \$76.28.

### **Note 5 – Debt Service Requirements**

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

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

|           | General Obligation Bonds | Revenue Bonds | Other Debt     | Total Debt     |
|-----------|--------------------------|---------------|----------------|----------------|
| 2012      | \$ 87,060.00             | \$ 85,540.00  | \$ 333,916.82  | \$ 506,516.82  |
| 2013      | \$ 88,290.00             | \$ 76,115.00  | \$ 329,116.05  | \$ 493,521.05  |
| 2014      | \$ 89,160.00             | \$ 79,015.00  | \$ 243,958.27  | \$ 412,133.27  |
| 2015      | \$ 89,735.00             | \$ 76,540.00  | \$ 239,157.48  | \$ 405,432.48  |
| 2016      | \$ 90,015.00             | \$ 40,015.00  | \$ 234,356.68  | \$ 364,386.68  |
| 2017      | \$ -                     | \$ 39,515.00  | \$ 229,555.92  | \$ 269,070.92  |
| 2018-2022 | \$ -                     | \$164,260.00  | \$ 564,398.74  | \$ 728,658.74  |
| Totals    | \$ 444,260.00            | \$561,000.00  | \$2,174,459.96 | \$3,179,719.96 |

## **Note 6 - Pension Plans**

Substantially all city full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), or Volunteer Firefighters' Relief and Pension Fund 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 city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

## **Note 7 - Other Disclosures**

There have been four instances of expenditures exceeding legal appropriations in two of the funds of the city. The areas of excess are the Finance Department and the Building Department within the Current Expense Fund, and the Wastewater Bond Redemption Fund. The main driver of the over expenditure in the Finance department was contractual costs related to the flooding of City Hall. The over expenditure in the Building department was also increased Contractual Services, however the revenues for the building department also increased in relation to the additional expenses (increased building inspections). The Wastewater Bond Redemption Fund over-expenditure was due to a miscalculation of the payments that were due out of that fund when budgeting. The mistake was noticed and corrected for future years.

The City Hall suffered a flood from a broken pipe in an upstairs bathroom that was discovered on October 1, 2012. City Hall relocated while the original City Hall was cleaned and repairs could be made. The city is continuing to work with the insurance company on reimbursement so that a way forward can be determined and the repairs to the city hall can begin. While we do not anticipate having to rebuild city hall without receiving any reimbursement from the Insurance company, there is an unknown financial risk involved in the lack of a settlement.

## City of White Salmon

## 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               |         |                         |                           |                                   |              |               |                                  |
|                                   | 259.11  | Legislative             | 12/31/2013                | 15                                | 0            | 0             | 15                               |
|                                   | 259.11  | Finance                 | 12/31/2013                | 6,804                             | 0            | 1,567         | 5,237                            |
|                                   | 259.11  | Human Resources         | 12/31/2013                | 0                                 | 2,764        | 0             | 2,764                            |
|                                   | 259.11  | Police                  | 12/31/2013                | 25,974                            | 0            | 7,059         | 18,915                           |
|                                   | 259.11  | Fire                    | 12/31/2013                | 146                               | 7            | 0             | 153                              |
|                                   | 259.11  | Building                | 12/31/2013                | 1,248                             | 18           | 0             | 1,265                            |
|                                   | 259.11  | Planning                | 12/31/2013                | 1,248                             | 18           | 0             | 1,265                            |
|                                   | 259.11  | Pool                    | 12/31/2013                | 170                               | 0            | 170           | 0                                |
|                                   | 259.11  | Parks                   | 12/31/2013                | 948                               | 219          | 0             | 1,167                            |
|                                   | 259.11  | Streets                 | 12/31/2013                | 2,513                             | 0            | 8             | 2,506                            |
|                                   | 251.12  | 1996 Unlimited GO Bonds | 12/1/2016                 | 310,000                           |              | 70,000        | 240,000                          |
| <b>Total General Obligations:</b> |         |                         |                           | <b>349,066</b>                    | <b>3,025</b> | <b>78,803</b> | <b>273,287</b>                   |

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



## City of White Salmon

## Schedule of Liabilities

For the year ended December 31, 2013

| Revenue Obligations        |                                |            |           |        |         |           |
|----------------------------|--------------------------------|------------|-----------|--------|---------|-----------|
|                            |                                | 12/31/2013 | 14,884    | 1,306  | 0       | 16,190    |
| 259.12                     | Water                          |            |           |        |         |           |
| 259.12                     | WasteWater                     | 12/31/2013 | 3,893     | 346    | 0       | 4,240     |
| 259.12                     | Refuse                         | 12/31/2013 | 2,462     | 178    | 0       | 2,640     |
| 252.11                     | 1981 Water/Sewer Revenue Bonds | 10/1/2021  | 192,533   |        | 17,333  | 175,200   |
| 252.11                     | 1981 Water/Sewer Revenue Bonds | 10/1/2021  | 96,267    |        | 8,667   | 87,600    |
| 263.82                     | 1993 PWTF WWTP                 | 5/1/2013   | 80,357    |        | 80,357  | 0         |
| 252.11                     | 1995 Water/Sewer Revenue Bonds | 7/1/2015   | 100,000   |        | 35,000  | 65,000    |
| 263.82                     | PWTF MJWI                      | 7/1/2017   | 160,714   |        | 32,143  | 128,571   |
| 263.82                     | DOH State Revolving Fund Loan  | 10/1/2020  | 1,433,394 |        | 179,174 | 1,254,219 |
| 263.82                     | 2013 DWSRF Simmons Rd Loan     | 12/31/2034 | 0         | 31,047 |         | 31,047    |
| Total Revenue Obligations: |                                |            | 2,084,504 | 32,876 | 352,674 | 1,764,707 |
| Total Liabilities:         |                                |            | 2,433,570 | 35,901 | 431,478 | 2,037,994 |

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

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>        |         |                         |                           |                                   |              |               |                                  |
|                                   | 259.11  | Legislative             | 12/31/2012                | 0                                 | 15           |               | 15                               |
|                                   | 259.11  | Finance                 | 12/31/2012                | 5,561                             | 1,243        |               | 6,804                            |
|                                   | 259.11  | Police                  | 12/31/2012                | 33,575                            |              | 7,601         | 25,974                           |
|                                   | 259.11  | Fire                    | 12/31/2012                | 176                               |              | 30            | 146                              |
|                                   | 259.11  | Building                | 12/31/2012                | 1,666                             |              | 419           | 1,248                            |
|                                   | 259.11  | Planning                | 12/31/2012                | 2,067                             |              | 820           | 1,248                            |
|                                   | 259.11  | Pool                    | 12/31/2012                | 553                               |              | 383           | 170                              |
|                                   | 259.11  | Parks                   | 12/31/2012                | 2,915                             |              | 1,968         | 948                              |
|                                   | 259.11  | Streets                 | 12/31/2012                | 981                               | 1,532        |               | 2,513                            |
|                                   | 251.12  | 1996 Unlimited GO Bonds | 12/1/2016                 | 375,000                           |              | 65,000        | 310,000                          |
| <b>Total General Obligations:</b> |         |                         |                           | <b>422,495</b>                    | <b>2,791</b> | <b>76,220</b> | <b>349,066</b>                   |

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

## City of White Salmon

## Schedule of Liabilities

For the year ended December 31, 2012

| Revenue Obligations        |                                |            |           |           |
|----------------------------|--------------------------------|------------|-----------|-----------|
| 259.12                     | Water                          | 12/31/2012 | 21,093    | 6,209     |
| 259.12                     | WasteWater                     | 12/31/2012 | 4,015     | 122       |
| 259.12                     | Refuse                         | 12/31/2012 | 5,136     | 2,674     |
| 252.11                     | 1973 Water/Sewer Revenue Bonds | 12/31/2012 | 8,000     | 8,000     |
| 252.11                     | 1981 Water/Sewer Revenue Bonds | 10/1/2021  | 208,533   | 16,000    |
| 252.11                     | 1981 Water/Sewer Revenue Bonds | 10/1/2021  | 104,267   | 8,000     |
| 263.82                     | 1993 PWTF WWTP                 | 5/1/2013   | 160,714   | 80,357    |
| 252.11                     | 1995 Water/Sewer Revenue Bonds | 7/1/2015   | 130,000   | 30,000    |
| 263.82                     | PWTF MJWI                      | 7/1/2017   | 192,857   | 32,143    |
| 263.82                     | DOH State Revolving Fund Loan  | 10/1/2020  | 1,612,568 | 179,174   |
| Total Revenue Obligations: |                                |            | 2,447,184 | 362,679   |
| Total Liabilities:         |                                |            | 2,869,679 | 438,899   |
|                            |                                |            | 2,791     | 2,433,570 |

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.

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| Contact information for the State Auditor's Office |  |
|--|--|
| <b>Deputy Director for Communications</b>          | Thomas Shapley<br><a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a><br>(360) 902-0367 |
| <b>Public Records requests</b>                     | (360) 725-5617   |
| <b>Main telephone</b>                              | (360) 902-0370   |
| <b>Toll-free Citizen Hotline</b>                   | (866) 902-3900   |
| <b>Website</b>                                     | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>   |