



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements Audit Report

### City of Cheney

Spokane County

For the period January 1, 2014 through December 31, 2014

Published July 13, 2015

Report No. 1014654





## Washington State Auditor's Office

July 13, 2015

Mayor and City Council  
City of Cheney  
Cheney, Washington

### Report on Financial Statements

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

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

Sincerely,

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

## TABLE OF CONTENTS

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 .....	4
Independent Auditor's Report On Financial Statements .....	6
Financial Section.....	9
About The State Auditor's Office.....	60

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Cheney  
Spokane County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Cheney  
Cheney, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cheney, Spokane County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

June 23, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Cheney Spokane County January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Cheney  
Cheney, Washington

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cheney, Spokane County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cheney, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 19 and information on postemployment benefits other than pensions on page 59 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015 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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

June 23, 2015



## **FINANCIAL SECTION**

**City of Cheney  
Spokane County  
January 1, 2014 through December 31, 2014**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2014

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental  
Activities – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental  
Funds – 2014

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
– General Fund – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
– 2014

Statement of Cash Flow – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Notes to the Basic Financial Statements – 2014

### **REQUIRED SUPPLEMENTARY INFORMATION**

Other Post Employment Benefits – LEOFF 1 Retiree Medical Benefits – Schedule of  
Funding Progress – 2014

---

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

---

As management of the City of Cheney, we offer the readers of the City of Cheney's financial statements this narrative overview and analysis of the financial activities of the City of Cheney for the fiscal year ended December 31, 2014.

## **FINANCIAL HIGHLIGHTS**

- The assets of the City of Cheney exceeded its liabilities at the close of the most recent fiscal year by \$38,127,647. Of this amount, \$5,629,587 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased in 2014 by -\$1,508,338 or 4%. The decrease in net position was not in one particular area. Governmental activities report a -3% decrease and the business type activities report a -4% decrease in net position. Decreases in sales tax and court revenues contributed largely to a reduction in general revenues while increased costs with purchased power contribute to the reduction in business type net position.
- At the close of the current fiscal year, the City of Cheney's governmental funds balance sheet reported combined ending fund balances of \$2,178,229, an increase of \$326,843 or 18% in comparison with the prior year. \$964,773 of this amount is available for spending at the City's discretion. This dramatic increase can be attributed to the financial recovery in the Park and Recreation Fund and the beginning of the housing market recovery.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

---

Both the government-wide financial statements distinguish functions of the City of Cheney that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities in the City of Cheney include general government, finance, police, fire, streets, planning and community development, municipal court, and culture and recreation. The business-type activities of the City of Cheney include electric, water, solid waste and sewer.

### **Fund Financial Statements**

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

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

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

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The general fund is the only governmental major fund reported in 2014. Data from the other 14 governmental funds are considered to be non-major and are combined into a single, aggregated presentation.

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

**Proprietary Funds.** The City of Cheney maintains two types of proprietary funds. Enterprise funds are used to report the same function presented as business-type activities in the

---

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

---

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

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

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

### **Notes to the Financial Statements**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a governmental financial position. In the case of the City of Cheney, assets exceeded liabilities by \$38,127,647 at the close of 2014.

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

The table below illustrates a comparative view of Net Position for both the governmental and business-type activities for the fiscal years ending 2014 and 2013.

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

City of Cheney, Washington – Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$2,735,302	\$2,618,264	\$7,752,200	\$7,915,360	\$10,487,502	\$10,533,624
Capital Assets	16,742,108	17,536,016	23,785,872	24,736,533	40,527,980	42,272,549
<i>Total Assets</i>	19,477,410	20,154,280	31,538,072	32,651,893	51,015,482	52,806,173
Long-Term Liabilities Outstanding	1,419,796	1,427,197	9,059,203	9,809,558	10,478,999	11,236,755
Other Liabilities	232,288	349,030	2,160,348	1,770,078	2,392,636	2,119,108
<i>Total Liabilities</i>	1,652,084	1,776,227	11,219,551	11,579,636	12,871,635	13,355,863
Deferred Inflows of Resources	16,200	18,000			16,200	18,000
<i>Total deferred Inflows of Resources</i>	16,200	18,000			16,200	18,000
Net Position:						
Net Investment in Capital Assets	16,742,108	17,536,016	14,585,982	14,845,995	31,328,090	32,382,011
Restricted	602,969	443,660	567,001	526,913	1,169,970	970,573
Unrestricted	464,049	380,377	5,165,538	5,699,349	5,629,587	6,079,726
<i>Total Net Position</i>	\$17,809,126	18,360,053	\$20,318,521	\$21,072,257	\$38,127,647	\$39,432,310

An additional portion of the net position of the City of Cheney (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,629,587 may be used to meet the government's ongoing obligation to the citizens and creditors.

At the end of 2014, the City of Cheney is able to report positive balance in all three categories of net position, both for the government as a whole, as well as for its separate government and business-type activities. The same situation held true for the prior year.

#### **Governmental Activities**

Governmental activities decreased the net position of the City of Cheney by -\$550,476. Although the City's net position again experienced a decrease in 2014, it is useful to compare the change from 2013 where the government activities reported a net position decrease of -\$1,282,398. Governmental activity revenue increased in 2014 by \$504,207 and the expenditures decreased by \$227,715 over 2013.

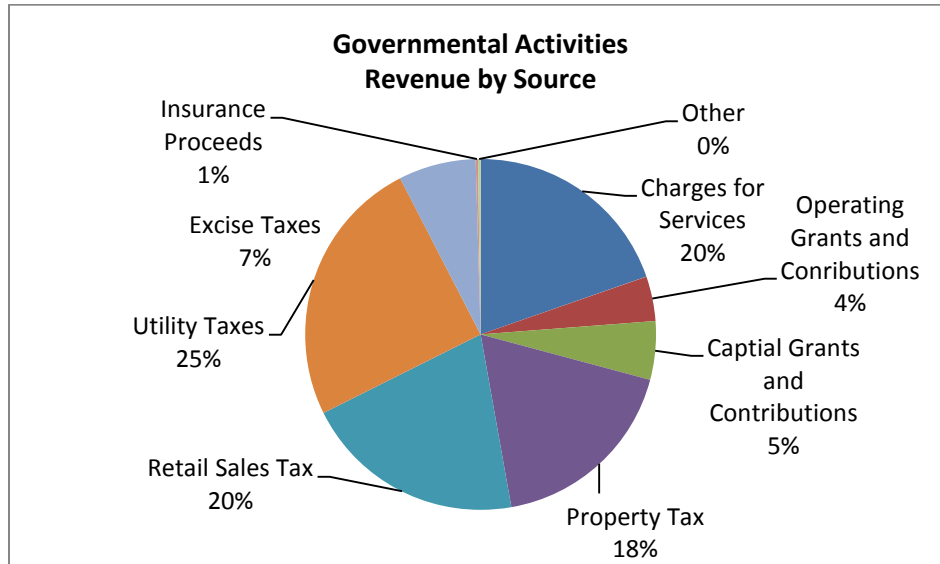
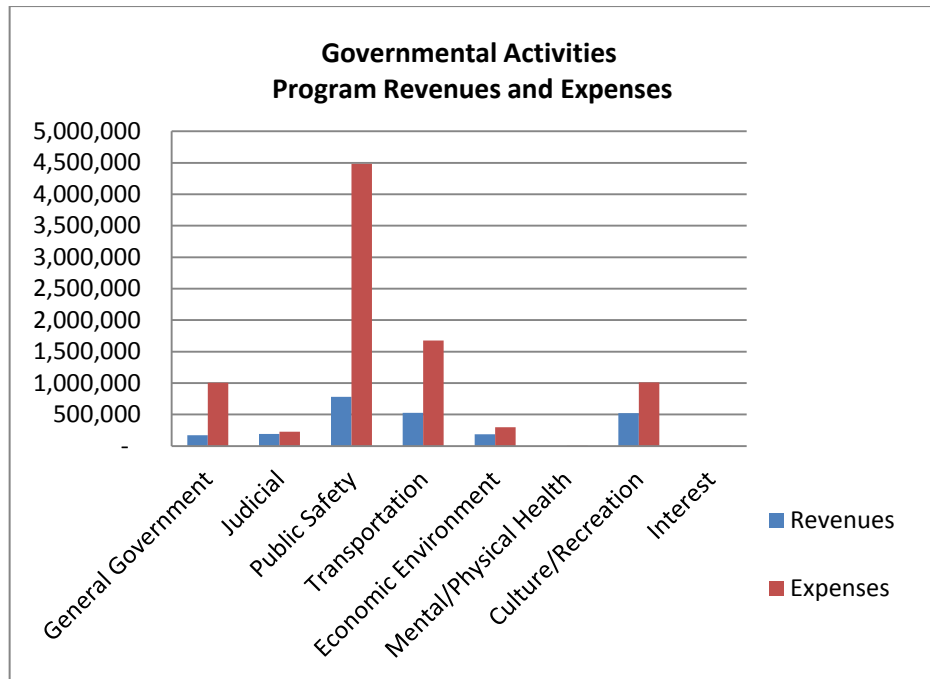
Key elements of this change in net position are displayed in the table on the following page.

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

City of Cheney, Washington – Statement of Activities						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$1,604,968	\$1,434,816	\$12,348,939	\$11,966,896	\$13,953,907	\$13,401,712
Operating Grants/Contributions	335,638	408,846	274,068	308,605	609,706	717,451
Capital Grants/Contributions	441,179	192,017	431,112	217,919	872,291	409,936
General Revenues						
Property Tax	1,470,486	1,430,765	-	-	1,470,486	1,430,765
Retail Sales/Use Tax	1,668,497	1,654,818	-	-	1,668,497	1,654,818
Utility Tax	2,023,946	2,009,426	-	-	2,023,946	2,009,426
Other	619,102	528,921	-	-	619,102	528,921
<b>Total Revenue</b>	<b>8,163,816</b>	<b>7,659,609</b>	<b>13,054,119</b>	<b>12,493,420</b>	<b>21,217,935</b>	<b>20,153,029</b>
<b>Expenses:</b>						
General Government	1,005,919	1,055,252	-	-	1,005,919	1,055,252
Judicial	226,624	269,244	-	-	226,624	269,244
Public Safety	4,484,387	4,268,309	-	-	4,484,387	4,268,309
Physical Environment	0	0	-	-	0	0
Transportation	1,678,849	1,704,384	-	-	1,678,849	1,704,384
Economic Environment	300,591	511,715	-	-	300,591	511,715
Mental/Physical Health	2,383	2,090	-	-	2,383	2,090
Culture and Recreation	1,011,520	1,130,377	-	-	1,011,520	1,130,377
Interest	4,019	636	-	-	4,019	636
Electric	-	-	8,648,238	7,914,737	8,648,238	7,914,737
Water	-	-	1,289,134	1,309,694	1,289,134	1,309,694
Solid Waste	-	-	1,474,432	1,462,500	1,474,432	1,462,500
Sewer	-	-	2,600,177	2,664,794	2,600,177	2,664,794
<b>Total Expenses</b>	<b>8,714,292</b>	<b>8,942,007</b>	<b>14,011,981</b>	<b>13,351,725</b>	<b>22,726,273</b>	<b>22,293,732</b>
Adjustment to Net Position	-451	-21,253	5,290	86,058	4,839	64,805
Adjustment to Capital Assets	-	-	198,836	-	198,836	-
Change in Net Position	-550,476	-1,282,398	-957,862	-858,305	-1,508,338	-2,140,703
Net Position – January 1	18,360,053	19,663,704	21,072,257	21,844,504	39,432,310	41,508,208
Net Position – December 31	\$17,809,126	\$18,360,053	20,318,521	\$21,072,257	38,127,647	\$39,432,310

- Sales tax revenue remained down from the high revenue mark in 2012. The total revenue for 2014 was slightly elevated and can be attributed to a few large projects in 2014. There was no major development or construction in 2014 leading to stagnant revenue in 2014. The new housing development, Harvest Bluff, is ready for construction so there is every possibility sales tax will experience a slight increase in 2015.
- Utility tax increased in 2014 by approximately \$14,500. The slight increase in water and sewer rates, combined with a hot summer season, has helped the utility tax revenue continue to grow.
- Real Estate Excise Tax (REET) revenue increased significantly in 2014. REET is generated through housing sales so the increase is a good sign of a housing recovery in our area.

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014



### **Business-Type Activities**

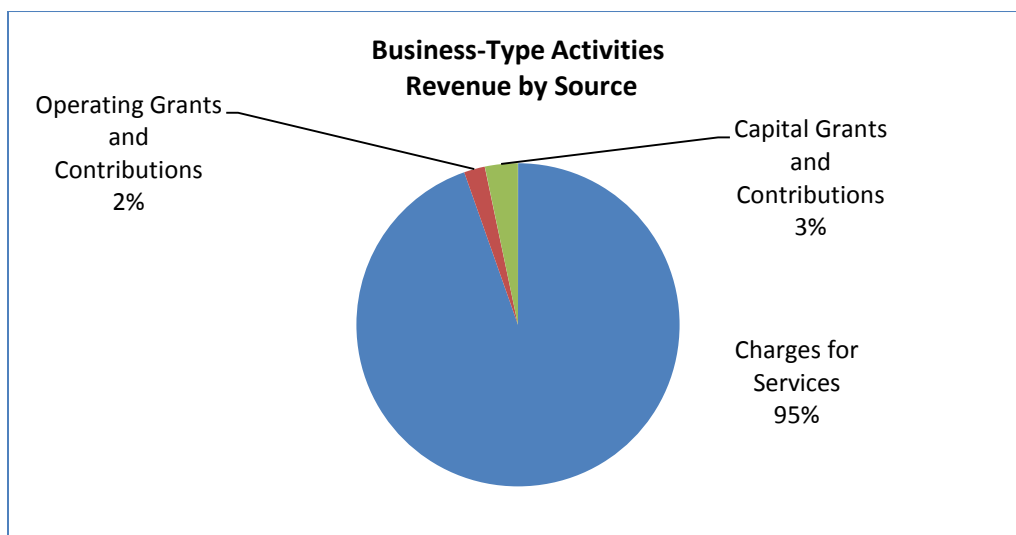
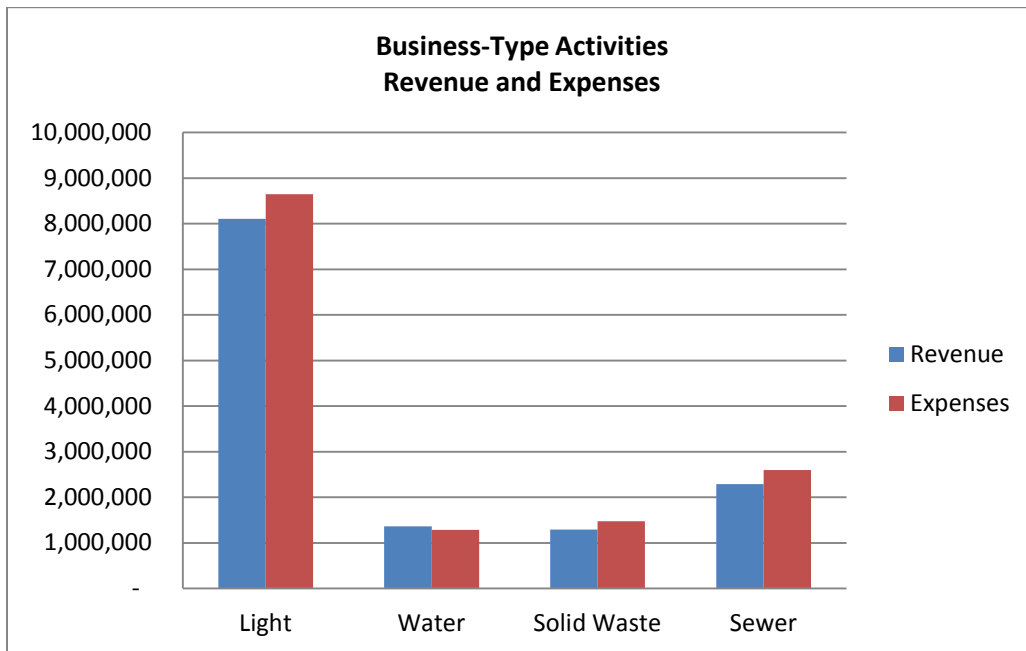
Business-type activities net position decreased in 2014 by -\$957,862. The main contributor the decrease in net position is the increase of expenses by \$660,256 over 2013. The amount of development, while increasing in 2014, is still not back to the level before the economic downturn. Revenue received from connect fees is a good indicator of development and business activity within our community. Connect fees started to rise again in 2013 and continued that trend in 2014.

---

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

---

- Revenues in 2014 increased with the implementation of a small sewer rate adjustment. Plans are underway to explore a small rate adjustment for light as well.
- Expenses increased in all proprietary funds, most notably in purchase power in the light fund.
- The solid waste plan was approved by the State of Washington giving the City the ability to negotiate our solid waste disposal rate. The City will see a much lower disposal costs in 2015.





---

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

---

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

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

### **Governmental Funds**

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

At the close of 2014, the City of Cheney's governmental funds balance sheet reported combined ending fund balances (all types) of \$2,178,229, an increase of \$326,843 in comparison with the prior year. The careful study of revenues and combined with the salary and program savings in the park and recreation department and the increased real estate taxes in 2014 all combined to give the governmental funds the increase in fund balance.

The general fund is the chief operating fund of the City of Cheney. At the close of 2014, \$964,773 is unassigned and available for spending at the City's discretion. As a measure of the general fund's liquidity, it is useful to compare the total of unassigned, assigned and committed fund balance to total fund expenditures. In 2014, that fund balance ratio is 22% compared to 23% for the prior fiscal year.

### **Proprietary Funds**

The City of Cheney's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The net position at the close of 2014 for all four utilities is as follows:

City of Cheney, Washington – Recap of Proprietary Funds Net Position		
Fund	Unrestricted Net Position	Total Net Position
Light	\$2,713,342	\$8,941,416
Water	-20,304	4,170,612
Solid Waste	614,221	1,704,754
Sewer	1,858,279	5,501,739
Total	\$5,165,538	\$20,318,521

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

There were two amendments to the general fund in 2014 for a total of \$59,000. The major portion of the amendment was the recognition of revenues and expenses associated the fire department's participation on state mobilized firefighting efforts throughout the state in the summer of 2014.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City of Cheney's investment in capital assets for its government and business-type activities as of December 31, 2014 amounts to \$40,527,980 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, infrastructure, machinery and equipment, and park facilities. The total decrease in the City of Cheney's investment in capital assets for the current fiscal year was -4% (-5% in governmental funds and -4% in business-type activities).

Major capital assets events (over \$50,000) during 2014 included the following:

- 2014 Residential Street Project
- Mike McKeehan Way Project
- N 6<sup>th</sup> Street Preservation Project – Street and Water
- Purchase of Aerial Light Truck
- Sale of one lot in commerce park

City of Cheney, Washington – Capital Assets ( net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$1,534,444	\$1,618,943	\$801,758	\$801,758	2,336,202	\$2,420,701
Buildings	2,338,850	2,525,324	10,993,406	11,646,211	13,332,256	14,171,535
Improvements	-	-	1,884,271	1,915,580	1,884,271	1,915,580
Infrastructure	12,089,683	12,488,319	8,159,134	8,361,121	20,248,817	20,849,440
Equipment	779,131	903,430	1,947,303	2,011,863	2,726,434	2,915,293
Construction in Progress				-		-
Total	\$16,742,108	\$17,536,016	\$23,785,872	\$24,736,533	\$40,527,980	\$42,272,549

### **Long-Term Debt**

At the end of 2014, the City of Cheney had long-term debt totaling \$8,708,102. Of this total debt, \$236,739 is due for Public Works Trust Fund Loans, \$8,270,528 represents Department of Ecology Loans, and \$200,835 comprises various governmental and business-type interfund loans.

City of Cheney, Washington – Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
PWKS Trust Fund	\$-	\$-	\$236,739	\$260,411	\$236,739	\$260,411
Department of Ecology	-	-	8,270,528	8,939,479	8,270,528	8,939,479
Interfund Loan	20,835	125,014	180,000	275,000	200,835	400,014
Total	\$20,835	\$125,014	\$8,687,267	\$9,474,890	\$8,708,102	\$9,599,904

---

**CITY OF CHENEY, WASHINGTON**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

---

The City of Cheney's total long-term debt decreased by \$891,802 (9%). The governmental interfund loan debt illustrated in the table above has a 5 year repayment plan. As of the preparation date of these statements, that loan is now expected to be repaid in full in 2015.

### **ECONOMIC FACTORS AND CHENEY IN THE FUTURE**

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

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

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

Cheney continues to promote the acquisition of property available Cheney Commerce Park. 2014 provided some success in that area with the sale of property and the construction of a new business. Mayor Trulove is also heavily invested in the efforts to widen SR904. The five (5) mile stretch of road from Interstate I-90 is a key factor in improving safety along the roadway as well as enhancing our economic development within our community.

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

### **REQUESTS FOR INFORMATION**

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

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

cityofcheney.org  
cniemeier@cityofcheney.org

# CITY OF CHENEY, WASHINGTON

## Statement of Net Position

December 31, 2014

	Governmental Activities	Business-Type Activities	2014 Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,166,725	\$ 5,043,134	\$ 7,209,859
Investments		-	-
Restricted Assets	-	567,001	567,001
<i>Receivables:</i>			
Taxes(Utility and Property)	241,916	1,162,403	1,404,319
Accounts	277,972	57,098	335,070
Interfund Loan	-	316,671	316,671
Due from Other Governments	23,213	-	23,213
Materials and Supplies Inventory	13,744	575,650	589,394
Prepaid Expenses	11,732	30,243	41,975
Land	1,534,444	801,758	2,336,202
Depreciable Capital Assets, Net	15,207,664	22,984,114	38,191,778
<b>Total Assets</b>	<b>19,477,410</b>	<b>31,538,072</b>	<b>51,015,482</b>
<b>Liabilities</b>			
Accounts Payable	155,309	907,971	1,063,280
Custodial Accounts	-	23,701	23,701
Refunds/Retainage Payable	30,344	6,493	36,837
Unearned Revenue	10,072	-	10,072
Interest Payable - Current Debt	-	5,707	5,707
Capital Lease Payable	10,727		10,727
Interfund Loan Payable - (Due in one year)	20,836	95,000	115,836
External Debt Payable - (Due in one year)	-	692,623	692,623
Wages Payable	-	7,988	7,988
<i>Long-Term Liabilities:</i>			
Long Term Debt	-	8,507,267	8,507,267
Capital Lease	11,337		11,337
Compensated Absences Payable	702,195	371,936	1,074,131
Other Post Employment Benefits Payable	685,429	-	685,429
Interfund Loan Payable	20,835	180,000	200,835
Deposits	5,000	420,865	425,865
<b>Total Liabilities</b>	<b>1,652,084</b>	<b>11,219,551</b>	<b>12,871,635</b>
<b>Deferred Inflows of Resources</b>			
Grants Received in Advance	16,200	-	16,200
Total Deferred inflows of Resources	16,200	-	16,200
<b>Net Position</b>			
Net Investment in Capital Assets	16,742,108	14,585,982	31,328,090
Restricted for:	-	-	-
Inventories and restricted purposes	597,969		597,969
Cash Escrow	5,000		5,000
Consumer Deposits/Aged Checks	-	420,865	420,865
Debt Service	-	146,136	146,136
Unrestricted (Deficit)	464,049	5,165,538	5,629,587
<b>Total Net Position</b>	<b>\$ 17,809,126</b>	<b>\$ 20,318,521</b>	<b>\$ 38,127,647</b>

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

**CITY OF CHENEY, WASHINGTON**  
Statement of Activities  
For the Fiscal Year Ended December 31, 2014

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	1,005,919	131,983	38,284	-	(835,652)		(835,652)
Judicial	226,624	59,597	133,257	-	(33,770)		(33,770)
Public Safety	4,484,387	678,229	104,869	-	(3,701,289)		(3,701,289)
Transportation	1,678,849	113,239	5,363	408,421	(1,151,826)		(1,151,826)
Economic Environment	300,591	180,858	4,611	-	(115,122)		(115,122)
Mental and Physical Health	2,383	-	-	-	(2,383)		(2,383)
Culture and Recreation	1,011,520	441,062	49,254	32,758	(488,446)		(488,446)
Interest	4,019	-	-	-	(4,019)		(4,019)
Total Governmental Activities	8,714,292	1,604,968	335,638	441,179	(6,332,507)	-	(6,332,507)
Business-Type Activities:							-
Light	8,648,238	7,627,537	129,558	347,117		(544,026)	(544,026)
Water	1,289,134	1,204,139	133,291	25,069		73,365	73,365
Solid Waste	1,474,432	1,294,509	1,264	-		(178,659)	(178,659)
Sewer	2,600,177	2,222,754	9,955	58,926		(308,542)	(308,542)
Total Business-Type Activities	14,011,981	12,348,939	274,068	431,112	-	(957,862)	(957,862)
Total Government	22,726,273	13,953,907	609,706	872,291	(6,332,507)	(957,862)	(7,290,369)
			Property Taxes		1,470,486		1,470,486
			Retail Sales & Use Tax		1,668,497		1,668,497
			Utility Taxes		2,023,946		2,023,946
			Excise Taxes		582,285		582,285
			Settlements/Judgements		17,279		17,279
			Donated Assets		13,776		13,776
			Interest		5,762		5,762
Total General Revenues					5,782,031		5,782,031
Change in Net Position					(550,476)	(957,862)	(1,508,338)
Net Position - Beginning of Year					18,360,053	21,072,257	39,432,310
Adjustment to Net Position					(451)	204,126	203,675
Net Position - End of Year					\$ 17,809,126	\$ 20,318,521	\$ 38,127,647

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

# CITY OF CHENEY, WASHINGTON

## Balance Sheet Governmental Funds December 31, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets and Outflows of Resources</b>			
Cash and Cash Equivalents	\$ 1,006,826	\$ 1,063,448	\$ 2,070,274
Investments	-	-	-
Receivables			
Taxes - Property	40,125	8,389	48,514
Taxes - Utility	99,823	93,579	193,402
Municipal Court	237,085	-	237,085
Other	22,650	13,839	36,489
Inventories	-	8,387	8,387
Prepayments	11,732		11,732
Due from Other Governments	13,052	10,161	23,213
Total Assets	<u>1,431,293</u>	<u>1,197,803</u>	<u>2,629,096</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	80,567	71,563	152,130
Retainage Payable		30,344	30,344
Interfund Loan Payable	-	41,671	41,671
Deferred Revenue	195,450		195,450
Unearned Revenue		10,072	10,072
Deposits	5,000		5,000
Total Liabilities	<u>281,017</u>	<u>153,650</u>	<u>434,667</u>
<b>Deferred Inflows of Resources</b>			
Grants Received in Advance	16,200	-	16,200
Total Deferred inflows of Resources	<u>16,200</u>	<u>-</u>	<u>16,200</u>
<b>Fund Balances</b>			
Nonspendable	-	8,387	8,387
Restricted	21,200	573,382	594,582
Committed	1,254	190,006	191,260
Assigned	146,849	272,378	419,227
Unassigned	964,773	-	964,773
Total Fund Balance	<u>1,134,076</u>	<u>1,044,153</u>	<u>2,178,229</u>
Total Liabilities and Fund Balance	<u>\$ 1,431,293</u>	<u>\$ 1,197,803</u>	<u>\$ 2,629,096</u>

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

---

**CITY OF CHENEY, WASHINGTON**  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2014

---

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

Total Governmental Fund Balances: \$ 2,178,229

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

Land	1,534,444	
Buildings and structures	4,603,431	
Improvements	1,765	
Infrastructure	24,411,494	
Machinery and Equipment	3,267,596	
Less: Accumulated Depreciation	<u>(17,150,585)</u>	16,668,145

Municipal Court receivables are reported at the fund level with current year deferred liabilities. The government wide statement does not report the current year liability. 195,450

Long-term liabilities, including compensated absences payable are not due and payable in the current period and therefore, are not reported in the governmental funds. (702,195)

Long-term liabilities, including other post employment benefits payable are not due and payable in the current period and therefore, are not reported in the governmental funds. (685,429)

Long-Term liabilities, including capital lease payable, are not due and payable in the current period and therefore, are not reported in the governmental funds. (22,064)

Internal service funds are used by management to charge the costs of certain activities to individual funds. Total assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 176,990

Net Position of Governmental Activities \$ 17,809,126

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

**CITY OF CHENEY, WASHINGTON**  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended December 31, 2014

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<b>Revenues</b>			
Taxes	\$ 3,701,500	\$ 1,595,583	5,297,083
Licenses and Permits	141,922	17,530	159,452
Intergovernmental	299,731	704,741	1,004,472
Charges for Services	889,622	412,688	1,302,310
Fines and Forfeits	147,979	-	147,979
Miscellaneous	18,670	91,740	110,410
Total Revenues	5,199,424	2,822,282	8,021,706
<b>Expenditures</b>			
General Government	1,010,095	35,054	1,045,149
Public Safety	3,830,888	479,242	4,310,130
Economic Environment	293,175	-	293,175
Mental and Physical Health	2,383	-	2,383
Culture and Recreation	3,482	775,209	778,691
Transportation	-	419,664	419,664
Debt Service: Principal	10,151	-	10,151
Debt Service: Interest	1,831	2,188	4,019
Street Construction	-	840,639	840,639
Purchase of Capital Assets	-	92,190	92,190
Total Expenditures	5,152,005	2,644,186	7,796,191
Excess of Revenues over Expenditures	47,419	178,096	225,515
<b>Other Financing Sources (Uses)</b>			
Insurance Proceeds	10,118	7,161	17,279
Sale of Capital Assets	84,499	-	84,499
Transfers In	-	221,483	221,483
Transfers Out	(221,483)	-	(221,483)
Total Other Financing Sources (Uses)	(126,866)	228,644	101,778
Net Change in Fund Balances	(79,447)	406,740	327,293
Fund Balances - Beginning of Year	1,213,523	637,864	1,851,387
Fund Balance Adjustment (Note 19)	-	(451)	(451)
Total Fund Balance End of Year	\$ 1,134,076	\$ 1,044,153	\$ 2,178,229

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



---

**CITY OF CHENEY, WASHINGTON**  
Reconciliation of Statement of Revenues, Expenditures and Changes  
In Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended December 31, 2014

---

Net Change in Fund Balance - Total Governmental Funds \$ 327,293

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

Internal Service Funds are not included in the Statement of Revenues, Expenditures and Changes in Fund Balances. Those Internal Service Funds are included in the Governmental Activities section of the Statement of Activities because they directly benefit governmental funds. This is the net change in position for the Internal Service Funds 29,479

Depreciation Expense, Depreciation Adjustment, and Wages Payable for Governmental Funds are not included in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance. They are included in the Governmental Funds on the Statement of Activities. (1,649,002)  
20,940  
(87,311)

Other Post Employment Benefits Payable for Governmental Funds are not included in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance. The difference of the OPEB Liability and the actual amount paid on the "pay as you go basis" is included in the Governmental Funds on the Statement of Activities. (20,195)

Debt Service (lease payment) made on the new Capital Lease is removed from governmental expenditures and a reduction of the Long-Term Liability is made. 10,151

Capital Items are included on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance. These expenses are moved to capital assets on the Statement of Net Position and are not shown on the Statement of Activities. Annual Depreciation is given in the Statement of Activities to show assets as they are used. 932,828  
(84,499)  
(7,161)

Governmental fund statements report the current year uncollected revenue. The government-wide statements include the past two years as part of the reported revenue. This amount is the difference between the total court receivable and the deferred revenue. (22,999)

Change in Net Position of Governmental Activities \$ (550,476)

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

# CITY OF CHENEY, WASHINGTON

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,764,700	\$ 3,764,700	\$ 3,701,500	\$ (63,200)
Licenses and Permits	172,100	164,500	141,922	(22,578)
Intergovernmental	2,062,800	271,300	299,731	28,431
Charges for Services	271,800	2,129,400	889,622	(1,239,778)
Fines and Forfeits	186,300	186,300	147,979	(38,321)
Miscellaneous	210,500	211,600	18,666	(192,934)
Non-Revenue	-	-	4	4
<b>Total Revenues</b>	<b>6,668,200</b>	<b>6,727,800</b>	<b>5,199,424</b>	<b>(1,528,376)</b>
<b>Expenditures</b>				
General Government	2,294,000	2,296,700	1,010,095	1,286,605
Public Safety	3,677,700	3,744,200	3,830,888	(86,688)
Physical Environment	425,900	428,900	-	428,900
Economic Environment	320,400	308,300	293,175	15,125
Mental and Physical Health	2,700	2,700	2,383	317
Culture and Recreation	6,800	6,800	3,482	3,318
Capital Lease	-	-	-	-
Capital	-	-	-	-
Debt Service: Principal	-	-	10,151	(10,151)
Debt Service: Interest	36,300	36,300	1,831	34,469
<b>Total Expenditures</b>	<b>6,763,800</b>	<b>6,823,900</b>	<b>5,152,005</b>	<b>1,671,895</b>
<b>Excess of Revenues over Expenditures</b>	<b>(95,600)</b>	<b>(96,100)</b>	<b>47,419</b>	<b>143,519</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Asset	-	-	84,499	84,499
Insurance Recoveries	-	-	10,118	10,118
Operating Transfers In	-	-	-	-
Operating Transfers Out	(221,800)	(221,800)	(221,483)	317
<b>Total Other Financing Sources (Uses)</b>	<b>(221,800)</b>	<b>(221,800)</b>	<b>(126,866)</b>	<b>94,934</b>
<b>Net Change in Fund Balances</b>	<b>(317,400)</b>	<b>(317,900)</b>	<b>(79,447)</b>	<b>238,453</b>
Fund Balances - Beginning of Year	317,400	317,900	1,213,523	895,623
Fund Balance Adjustment (Note 19)	-	-	-	-
<b>Total Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,134,076</b>	<b>\$ 1,134,076</b>

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

# CITY OF CHENEY, WASHINGTON

## Statement of Net Position Proprietary Funds December 31, 2014

	Light	Water	Solid Waste	Sewer	Total Major Funds	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>							
Cash and Cash Equivalents	\$ 2,982,552	\$ 143,370	\$ 579,006	\$ 1,338,206	\$ 5,043,134	\$ 5,043,134	\$ 96,451
Investments	-	-	-	-	-	-	-
<i>Receivables</i>							
Utility	783,787	77,693	103,464	197,459	1,162,403	1,162,403	-
Other	23,276	18,251	2,060	13,511	57,098	57,098	4,398
Interfund loan	41,671	-	-	275,000	316,671	316,671	-
Inventories	287,230	83,704	-	204,716	575,650	575,650	5,357
Prepaid Expenses	26,164	1,123	1,123	1,833	30,243	30,243	-
<b>Total Current Assets</b>	<b>4,144,680</b>	<b>324,141</b>	<b>685,653</b>	<b>2,030,725</b>	<b>7,185,199</b>	<b>7,185,199</b>	<b>106,206</b>
<i>Noncurrent Assets</i>							
Restrcted cash, cash equiv, & Invest							
Debt Service Covenant	-	-	-	146,136	146,136	146,136	-
Custodial	420,415	-	450	-	420,865	420,865	-
<b>Total Restricted Assets</b>	<b>420,415</b>	<b>-</b>	<b>450</b>	<b>146,136</b>	<b>567,001</b>	<b>567,001</b>	<b>-</b>
<i>Capital Assets</i>							
Land	64,726	1,894	-	735,138	801,758	801,758	-
Building and Structures	3,854,771	2,535,508	697,831	13,837,115	20,925,225	20,925,225	-
Other Improvements	220,609	36,535	194,324	1,862,323	2,313,791	2,313,791	2,833
Machinery and Equipment	1,890,312	434,352	1,268,689	2,350,954	5,944,307	5,944,307	510,708
Infrastructure	9,403,277	6,350,618	-	7,869,910	23,623,805	23,623,805	-
Construction in Progress	-	-	-	-	-	-	-
Less: Accumulated Depr	(9,626,036)	(5,167,991)	(1,070,761)	(13,958,226)	(29,823,014)	(29,823,014)	(439,578)
Total Capital Assets (net of accumulated depr)	5,807,659	4,190,916	1,090,083	12,697,214	23,785,872	23,785,872	73,963
<b>Total Noncurrent Assets</b>	<b>6,228,074</b>	<b>4,190,916</b>	<b>1,090,533</b>	<b>12,843,350</b>	<b>24,352,873</b>	<b>24,352,873</b>	<b>73,963</b>
<b>Total Assets</b>	<b>10,372,754</b>	<b>4,515,057</b>	<b>1,776,186</b>	<b>14,874,075</b>	<b>31,538,072</b>	<b>31,538,072</b>	<b>180,169</b>
<b>Liabilities</b>							
<i>Current Liabilities</i>							
Accounts Payable	831,961	22,371	41,887	11,752	907,971	907,971	3,179
Retainage Payable	-	6,493	-	-	6,493	6,493	-
<i>Loans Payable: Short Term</i>							
Interfund (due in 2015)	-	95,000	-	-	95,000	95,000	-
External (due in 2015)	-	-	-	692,623	692,623	692,623	-
Custodial	795	-	-	-	795	795	-
Wages Payable	7,988	-	-	-	7,988	7,988	-
Customer Payments Held	22,906	-	-	-	22,906	22,906	-
<b>Total Current Liabilities</b>	<b>863,650</b>	<b>123,864</b>	<b>41,887</b>	<b>704,375</b>	<b>1,733,776</b>	<b>1,733,776</b>	<b>3,179</b>
<i>Noncurrent Liabilities</i>							
Loans Payable	-	-	-	8,507,267	8,507,267	8,507,267	-
Accrued Interest Payable	-	-	-	5,707	5,707	5,707	-
Interfund Loan Payable	-	180,000	-	-	180,000	180,000	-
Consumer Deposits Payable	420,415	-	450	-	420,865	420,865	-
Compensated Absences	147,273	40,581	29,095	154,987	371,936	371,936	-
<b>Total Noncurrent Liabilities</b>	<b>567,688</b>	<b>220,581</b>	<b>29,545</b>	<b>8,667,961</b>	<b>9,485,775</b>	<b>9,485,775</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,431,338</b>	<b>344,445</b>	<b>71,432</b>	<b>9,372,336</b>	<b>11,219,551</b>	<b>11,219,551</b>	<b>3,179</b>
<b>Net Position</b>							
Net Investment in Capital Assets	5,807,659	4,190,916	1,090,083	3,497,324	14,585,982	14,585,982	73,963
Restricted	420,415	-	450	146,136	567,001	567,001	-
Unrestricted	2,713,342	(20,304)	614,221	1,858,279	5,165,538	5,165,538	103,027
<b>Total Net Position</b>	<b>\$ 8,941,416</b>	<b>\$ 4,170,612</b>	<b>\$ 1,704,754</b>	<b>\$ 5,501,739</b>	<b>\$ 20,318,521</b>	<b>\$ 20,318,521</b>	<b>\$ 176,990</b>

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

**CITY OF CHENEY, WASHINGTON**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2014

	Light	Water	Solid Waste	Sewer	Total Major Funds	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenues:</b>							
Charges for Services	\$ 7,609,989	\$ 1,198,441	\$ 1,287,901	\$ 2,212,845	\$ 12,309,176	\$ 12,309,176	\$ 134,016
Other Operating Revenues	17,548	5,698	6,608	9,909	39,763	39,763	-
<b>Total Operating Revenues</b>	<b>7,627,537</b>	<b>1,204,139</b>	<b>1,294,509</b>	<b>2,222,754</b>	<b>12,348,939</b>	<b>12,348,939</b>	<b>134,016</b>
<b>Operating Expenses:</b>							
Purchased Power	5,497,028	-	-	-	5,497,028	5,497,028	-
Administration	444,034	374,750	111,030	980,804	1,910,618	1,910,618	97,561
Taxes	277,992	59,920	18,936	60,198	417,046	417,046	-
Depreciation	541,918	287,835	148,532	879,491	1,857,776	1,857,776	7,014
Recycling Center/Litter Control	-	-	20,062	-	20,062	20,062	-
Solid Waste Collection	-	-	948,933	-	948,933	948,933	-
Maintenance	1,018,505	344,990	-	299,843	1,663,338	1,663,338	-
Customer Accounting/Marketing	639,371	214,143	226,939	364,273	1,444,726	1,444,726	-
Fiber Operations	11,894	-	-	-	11,894	11,894	-
<b>Total Operating Expenses</b>	<b>8,430,742</b>	<b>1,281,638</b>	<b>1,474,432</b>	<b>2,584,609</b>	<b>13,771,421</b>	<b>13,771,421</b>	<b>104,575</b>
Operating Income (Loss)	(803,205)	(77,499)	(179,923)	(361,855)	(1,422,482)	(1,422,482)	29,441
<b>NonOperating Revenues</b>							
Investment Earnings	7,444	29	527	9,049	17,049	17,049	38
Interest Expense	-	(7,496)	-	(15,568)	(23,064)	(23,064)	-
Miscellaneous Revenue	121,644	20,023	294	515	142,476	142,476	-
Intergovernmental	-	113,239	443	-	113,682	113,682	-
Sale of Salvage	-	-	-	391	391	391	-
Judgement and Settlement	470	-	-	-	470	470	-
Sale of Capital Asset	(4,110)	-	-	-	(4,110)	(4,110)	-
Conservation	(213,386)	-	-	-	(213,386)	(213,386)	-
<b>Total Nonoperating Revenue/ (Expenses)</b>	<b>(87,938)</b>	<b>125,795</b>	<b>1,264</b>	<b>(5,613)</b>	<b>33,508</b>	<b>33,508</b>	<b>38</b>
Income (loss) before contributions	(891,143)	48,296	(178,659)	(367,468)	(1,388,974)	(1,388,974)	29,479
Capital Contributions	347,117	25,069	-	58,926	431,112	431,112	-
Increase (Decrease) in Net Position	(544,026)	73,365	(178,659)	(308,542)	(957,862)	(957,862)	29,479
<b>Net Position, January 1</b>	<b>9,281,316</b>	<b>4,097,247</b>	<b>1,883,413</b>	<b>5,810,281</b>	<b>21,072,257</b>	<b>21,072,257</b>	<b>147,511</b>
Adjustment to Net Position , See Note 19	204,126	-	-	-	204,126	204,126	-
<b>Net Position, December 31</b>	<b>\$ 8,941,416</b>	<b>\$ 4,170,612</b>	<b>\$ 1,704,754</b>	<b>\$ 5,501,739</b>	<b>\$ 20,318,521</b>	<b>\$ 20,318,521</b>	<b>\$ 176,990</b>

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

**CITY OF CHENEY, WASHINGTON**  
Statement of Cash Flow  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2014

	Light	Water	Solid Waste	Sewer	Total Major Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flow from Operating Activity</b>							
Received from Customers	\$ 7,692,824	\$ 1,201,819	\$ 1,297,795	\$ 2,193,290	\$ 12,385,727	\$ 12,385,727	\$ 130,014
Payments for goods and services	(7,530,053)	(1,012,904)	(1,332,530)	(1,710,108)	(11,585,595)	(11,585,595)	(116,105)
Net cash provided by operations	\$ 162,771	\$ 188,915	\$ (34,735)	\$ 483,182	\$ 800,132	\$ 800,132	\$ 13,909
<b>Cash Flow Non Capital Financing Activities</b>							
Received from other sources	505,753	43,885	30,294	59,832	639,764	639,764	-
Payments nonoperating expense	(213,386)	-	-	-	(213,386)	(213,386)	-
Interest on interfund loan	2,188	-	-	7,961	10,149	10,149	-
Interfund Loan	(41,671)	(102,496)	-	130,778	(13,389)	(13,389)	-
Net cash nonoperating activities	252,884	(58,611)	30,294	198,571	423,138	423,138	-
<b>Cash Flow from Investing Activities</b>							
Receipts of interest & dividends	1,901	29	527	1,088	3,545	3,545	37
Net cash investing activity	1,901	29	527	1,088	3,545	3,545	37
<b>Cash Flow Capital Financing</b>							
Received from grants and loans	-	115,756	-	-	115,756	115,756	-
Payments/interest on debts	-	-	-	(706,216)	(706,216)	(706,216)	-
Payments for capital acquisitions	(495,067)	(189,441)	-	(27,053)	(711,561)	(711,561)	-
Net cash used in capital financing	(495,067)	(73,685)	-	(733,269)	(1,302,021)	(1,302,021)	-
Net Increase in cash equivalents	(77,512)	56,648	(3,914)	(50,428)	(75,206)	(75,206)	13,946
<b>Cash and Equivalents, January 1</b>	3,480,479	86,722	583,370	1,534,770	5,685,341	5,685,341	82,505
<b>Cash and Equivalents, December 31</b>	\$ 3,402,967	\$ 143,370	\$ 579,456	\$ 1,484,342	\$ 5,610,135	\$ 5,610,135	\$ 96,451
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>							
Operating Income (Loss)	\$ (803,205)	\$ (77,499)	\$ (179,923)	\$ (361,855)	\$ (1,422,482)	\$ (1,422,482)	\$ 29,441
Adjustments used to reconcile operating income to net cash provided (used) by operating activities							
Depreciation	541,918	287,835	148,532	879,491	1,857,776	1,857,776	7,014
(Increase) decrease in acct receivable	65,287	(2,320)	3,286	(29,464)	36,788	36,788	(4,002)
(Increase) decrease in inventories	(4,806)	(26,911)	-	71	(31,646)	(31,646)	149
(Increase) decrease in prepaid expenses	(26,164)	(1,123)	(1,123)	(1,833)	(30,243)	(30,243)	-
Increase (decrease) in acct payable	378,442	1,535	(12,609)	(24,571)	342,797	342,797	(18,693)
Increase (decrease) in compensated absences payable	-	-	-	-	-	-	-
	-	7,398	7,102	21,343	35,843	35,843	-
Increase (decrease) customer credits	6,835	-	-	-	6,835	6,835	-
Adjustment to Net Position - See Note 19	4,464	-	-	-	4,464	4,464	-
Total Adjustments	965,976	266,414	145,188	845,037	2,222,614	2,222,614	(15,532)
<b>Net Cash Provided by Operating Activities</b>	\$ 162,771	\$ 188,915	\$ (34,735)	\$ 483,182	\$ 800,132	\$ 800,132	\$ 13,909

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

---

**CITY OF CHENEY, WASHINGTON**

## Statement of Fiduciary Net Position

## Fiduciary Funds

December 31, 2014

---

	Agency Funds	
	2014	
	<hr/>	
<b>Assets</b>		
Cash and Cash Equivalents	\$	26,502
Receivable		50
Investments		-
<b>Total Assets</b>		<hr/> 26,552 <hr/>
<b>Deferred Outflows of Resources</b>		<hr/> - <hr/>
<b>Liabilities</b>		
Held for Future Year Disbursement		26,552
Accounts Payable		-
<b>Total Liabilities</b>		<hr/> 26,552 <hr/>
<b>Deferred Inflows of Resources</b>		<hr/> - <hr/>
<b>Net Position</b>	\$	<hr/> - <hr/>

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

**A. Reporting Entity**

The City of Cheney was incorporated November 28, 1883 and operates under the laws of the State of Washington applicable to a non-charter code city with a mayor-council form of government. The City is governed by an elected mayor and seven elected council members.

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

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

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

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

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

**B. Government-Wide and Fund Financial Statements**

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

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

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



---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

*The City of Cheney reports the following major governmental fund:*

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

*The City of Cheney reports the following major enterprise funds:*

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

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

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

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

*The City of Cheney reports the following fund types:*

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

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

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

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

#### **D. Budgetary Information**

##### **1. Scope of Budget**

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

2. Amending the Budget

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

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

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

3. Excess of Expenditures over Appropriations

At the end of 2014, there were two funds within the Public Works Department with excess expenditures over appropriations. The Solid Waste Fund exceeded the approved budget of \$1,446,500 by \$27,933. Additionally, the Sewer Fund exceeded the approved budget of \$2,438,200 by \$161,975. Additional oversight has been placed on the affected funds by Administration to avoid the error in future fiscal years.

**E. Assets, Liabilities, Fund Balance, Net Position**

1. Cash and Cash Equivalents

It is the City of Cheney's policy to invest all temporary cash surpluses. At December 31, 2014, the treasurer was holding \$4,927,519 in short term investment of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents as well as investments in various funds. The interest on these investments is prorated to the various funds.

The amounts reported as cash and cash equivalents can also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained during 2014 was \$2,922,225.

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

3. Receivables

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

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

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

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

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

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

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

5. Inventories

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

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

6. Restricted Assets and Liabilities

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

The following table reports the restricted assets for the enterprise funds:

Enterprise Funds	
Light Fund – Utility Consumer Deposits	\$420,415
Solid Waste Fund – Utility Consumer Deposits	450
Sewer Fund – Payment of Debt	<u>146,136</u>
Total	<u>\$567,001</u>

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

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

8. Compensated Absences

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

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

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

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

	Accumulated Sick	Vacation	Unpaid Amounts at 12/31/14
Governmental Funds	\$347,507	\$354,688	\$702,195
Proprietary Funds	207,687	164,249	371,936
Total	\$555,194	\$518,937	\$1,074,131

The above table shows the sick and vacation accruals at December 31, 2014. In addition, there is \$7,988 accumulated as wages payable in Business Type Activities (Light Fund). Beginning in 2014, FICA was added to the wages payable calculation. Wages payable are disclosed, along with compensated absences accruals on the Statement of Net Position.

9. Other Post Employment Benefits See (Other Postemployment Benefit (OPEB) Plans Note No. 18) Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the fiscal year they are incurred.

10. Other Accrued Liabilities and Long Term Obligations

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

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

11. Fund Balance Classification

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

*Establishment of Order of Expenditure by Classification of Fund Balance*

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

1. Restricted
2. Committed
3. Assigned

*Process for Committing Funds*

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

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

Governmental Funds – Fund Balance Designation – Detail by Specific Purpose			
Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable:</i>			
Inventory	\$ -	\$8,387	\$8,387
<i>Restricted for:</i>			
Road Construction/Streets	-	8,259	8,259
Public Safety	-	218,530	218,530
Culture and Recreation	-	16,900	16,900
Cash Escrow Deposit	5,000	-	5,000
Public Defense	16,200	-	16,200
Tourism	-	51,011	51,011
Capital/CIP Approved	-	278,682	278,682
<i>Committed to:</i>			
Road Construction/Streets	-	99,494	99,494
Public Safety	-	64,459	64,459
City Beautification	1,254	26,053	27,307
<i>Assigned to:</i>			
Road Construction/Streets	-	96,502	96,502
Public Safety	-	92,652	92,652
Culture and Recreation	-	82,772	82,772
Information Technology	146,827	-	146,827
Tourism	-	99	99
City Beautification	22	90	112
Capital/CIP Approved	-	263	263
<i>Unassigned:</i>	964,773	0	964,773
<b>Totals</b>	<b>\$1,134,076</b>	<b>\$1,044,153</b>	<b>\$2,178,229</b>

The Parks and Recreation Fund ended fiscal year 2013 with a deficit fund net position of -\$97,170. Due to additional reduction of spending and careful analysis of program fees, the department was able to turn the downward trend around and complete the fiscal year with a positive fund net position.

**12. General Fund Minimum Fund Balance Policy**

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

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

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**NOTE 4 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City of Cheney's deposits are entirely covered by federal depository insurance (FDIC) or by collateral help in a multiple financial institution collateral pool administered by Washington Public Deposit Protection Commission (PDPC). At the close of the fiscal year ending 2014, the City did not have an active investment policy but was working on development and certification of that policy. The proposed investment policy was reviewed and approved by the City Council on February 24, 2015.

On December 31, 2014, the carrying amount of the City's cash demand deposit with Bank of America was \$2,704,603 and the carrying amount of the City's savings account with Bank of America was \$135,072. Petty Cash on hand was \$9,950.

Additionally, the City of Cheney Municipal Court recorded a carrying amount in the court account of \$26,217.

**B. Investments**

As of December 31, 2014, the City of Cheney had the following investments:



**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

Investment	Fair Value	Total
State Investment Pool	\$4,927,519	\$4,927,519
Total	\$4,927,519	\$4,927,519

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

**NOTE 5– PROPERTY TAX**

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

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

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

The City of Cheney may levy up to \$3.375 per \$1,000 of assessed valuation for general governmental services. The City of Cheney's regular levy for 2014 was \$2.378224 per \$1,000 on an assessed valuation of \$510,826,729 for a total regular levy of \$1,214,860 before adjustments by the Spokane County Assessor.

Washington State Constitution and Washington State Law, RCW 84.52.043 limit the rate.

**NOTE 6 – CAPITAL ASSETS**

**A. Capital Assets**

Capital assets activity for the year ended December 31, 2014 was as follows:

	Beginning Balance 1/01/2014	Increases	Decreases/ Adjustments	Ending Balance 12/31/2014
<b>Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$1,618,943	\$	\$-84,499	\$1,534,444
Capital Assets, being depreciated:				
Buildings	4,606,264		-2,833	4,603,431
Other Improvements	1,765		2,833	4,598

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

	Machinery & Equipment	3,747,536	64,805	-34,035	3,778,306
	Infrastructure	23,531,493	880,001		24,411,494
	Total Capital Assets being depreciated	31,887,058	944,806	-34,035	32,797,829
	Less Accumulated Depreciation for:				
	Buildings	2,080,940	186,474	-2,833	2,264,581
	Other Improvements	1,765		2,833	4,598
	Machinery & Equipment	2,844,106	190,904	-35,835	2,999,175
	Infrastructure	11,043,174	1,278,637		12,321,811
	Total Accumulated Depreciation	15,969,985	1,656,015	-35,835	17,590,165
	Total Capital Assets, being depreciated, Net	15,917,073	-711,209	1,800	15,207,664
	Governmental Activity, Capital Assets, Net	\$17,536,016	\$-711,209	\$-82,699	\$16,742,108
		<b>Beginning Balance 01/01/2014</b>	<b>Increases</b>	<b>Decreases/ Adjustments</b>	<b>Ending Balance 12/31/2014</b>
<b>Business-Type Activities</b>					
	Capital Assets, not being depreciated:				
	Land and Construction in Progress	\$801,758	\$	\$	\$801,758
	Capital Assets, being depreciated				
	Buildings	20,905,599	19,626		20,925,225
	Other Improvements	2,312,271	1,520		2,313,791
	Machinery & Equipment	5,677,798	288,408	-21,899	5,944,307
	Infrastructure	22,906,776	402,007	315,022	23,623,805
	Total Assets being depreciated	51,802,444	711,561	293,123	52,807,128
	Less Accumulated Depreciation for:				
	Building	9,271,450	660,369		9,931,819
	Other Improvements	396,691	32,830	-1	429,520
	Machinery & Equipment	3,665,935	348,773	-17,704	3,997,004
	Infrastructure	14,533,593	815,719	115,359	15,464,671
	Total Accumulated Depreciation	27,867,669	1,857,691	97,654	29,823,014
	Total Capital Assets, being depreciated, net	23,934,775	-1,146,130	195,469	22,984,114
	Work in Progress/Not yet Assigned	-	-		-
	Business-type Activity, Capital Assets, Net	\$24,736,533	\$-1,146,130	\$195,469	\$23,785,872

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

<b>Governmental Activities:</b>	
General Government	\$164,058
Security of Persons/Property	104,001
Economic Environment	1,646
Transportation	1,155,464
Culture and Recreation	223,832
Total Depreciation – Governmental Activities	\$1,649,001
<b>Business-Type Activities:</b>	
Light	\$541,918
Water	287,835
Solid Waste	148,532
Sewer	879,491
Total Depreciation – Business type Activities	\$1,857,776

All reported capital assets of the City of Cheney are depreciated except for land. Improvements are commonly depreciated over the remaining useful life of the related capital assets. Useful lives for

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

**NOTE 7 – PENSION PLANS**

Substantially all City of Cheney full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

Plan Description

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

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

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

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

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

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

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

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

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

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

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

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
<b>Total</b>	<b>368,272</b>

#### Funding Policy

Each biennium, the State Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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

The required contribution rates are expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

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

\*\*The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

\*\*\*Plan 3 defined benefit portion only.

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

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

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

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2014	\$6,230	\$273,994	\$73,692
2013	\$5,641	\$246,594	\$67,809
2012	\$4,814	\$221,469	\$66,563

### **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2**

#### Plan Description

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

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

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



---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

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

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

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

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

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

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

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

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

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

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Terminated Plan Members Nonvested	1,600
<b>Total</b>	<b>29,640</b>

**Funding Policy**

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
Employer*	.18%	5.23%
Employee	0.00%	8.41%
State	N/A	3.36%

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

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

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2014	\$0	\$102,096
2013	\$0	\$95,608
2012	\$0	\$97,085

**NOTE 8 – RISK MANAGEMENT**

The City of Cheney is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 175 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

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

No insurance settlements have exceeded insurance coverage in 2014 or either of the two preceding fiscal years.

#### **NOTE 9 – SHORT TERM DEBT**

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

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

**NOTE 10 – LONG TERM DEBT**

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

Year Ending December 31,	Principal	Interest	Total
2016	\$694,627	\$12,210	\$706,837
2017	696,661	10,057	706,718
2018	698,726	7,874	706,600
2019	700,822	5,660	706,482
2020	702,949	3,414	706,363
2021-2025	2,870,109	2,319	2,872,428
2026-2029	2,143,373	0	2,143,373
<b>Total</b>	<b>\$8,507,267</b>	<b>\$41,534</b>	<b>\$8,548,801</b>

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

The short term portion of the long term debt, due in 2015, is comprised of principal - \$692,623 and interest - \$14,332 for a total amount due of \$706,995.

**NOTE 11 – LEASES**

**A. Operating Leases**

The City of Cheney leases various pieces office equipment and an IBM i-series AS400 under noncancelable operating leases. Total cost for such leases was \$99,736 for the year ended December 31, 2014. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2015	\$97,930
2016	55,724
2017	48,785
2018	45,533
2019	8,534
<b>Total</b>	<b>\$256,506</b>

**B. Capital Leases**

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

The assets acquired through capital leases are as follows:

Asset	Governmental Assets
SRO Police Car	\$44,030
(Less Depreciation)	(9,695)
<b>Total</b>	<b>\$34,335</b>

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

Below is the remaining obligation and the net present value of the minimum lease payments as of 2013.

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

**NOTE 12 – CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2014, the following changes occurred in long-term liabilities, as presented on the Statement of Net Position:

	Beginning Long-Term 1/1/2014	Additions	Reductions	Ending Long-Term 12/31/2014	Current L-T Portion Due One Year
<b>Governmental Activities:</b>					
Interfund Loan Payable	\$181,627	\$0	\$139,956	\$41,671	\$20,836
Capital Leases	32,215	0	10,151	22,064	10,727
OPEB Payable	665,234	20,195		685,429	-
Compensated Absences	614,884	87,311	0	702,195	-
Government Activity Long-Term Liabilities	\$1,493,960	\$107,506	\$150,107	\$1,451,359	\$31,563
<b>Business-Type Activities:</b>					
Internal Loan Payable	\$370,000		95,000	\$275,000	\$95,000
External Loan Payable	9,890,538		690,648	9,199,890	692,623
Compensated Absences	334,668	37,268		371,936	-
Business-type Activity Long-Term Liabilities	\$10,595,206	\$37,268	\$785,648	\$9,846,826	\$787,623

Internal service funds predominately serve the governmental funds and any long-term liability for the internal service funds would be included in the above governmental activities. As of December 31, 2014, there are no long-term liabilities held in the internal service funds.

**NOTE 13 – CONTINGENCIES AND LITIGATION**

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

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

As of December 31, 2014, there are no pending claims against the City.

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

**NOTE 14 – RESTRICTED NET POSITION**

The government-wide statement of net position reports \$602,969 of restricted component of net position in the Governmental Activities for inventories and restricted revenues. Additionally, The City of Cheney reports \$567,001 of restricted component of net position in the Business-Type Activities for consumer utility deposits and debt service.

**NOTE 15 – INTERFUND BALANCES AND TRANSFERS**

A. Interfund Balances

Interfund balances at December 31, 2014 were as follows:

Due To	Due From				
		Parks and Recreation	Water		Total
	Light Fund	41,671	-		\$41,671
	Sewer	-	275,000		275,000
	<b>Total</b>	<b>\$41,671</b>	<b>\$275,000</b>		<b>\$316,671</b>

The interfund balances are a result of interfund loans. The City of Cheney utilizes reserve balances in other funds to provide short and long term interfund loans to other funds. The interest rate is 1% above what the loaning fund is receiving from the Washington State Investment Pool.

The parks and recreation operation interfund loan (from the light fund) was originally approved by City Council to be fully repaid in a seven (7) years. Due to savings from staff reductions and delayed hiring, along with careful analysis and review of both program fees and expenses, the first five years of the loan were paid in year one. The remaining two payments, although scheduled for two payments, will likely be repaid in 2015.

The loans, their purpose, and expectation of being repaid within one calendar year from the date of these statements are listed below:

Loan	Purpose	Repaid in 2015
Parks and Recreation	Operational	Yes
Water	Operational and Equipment	No

B. Interfund Transfers

Interfund transfers at December 31, 2014 were as follows:

Transfer To	Transfer From			
		General Fund		Total
	Street Fund	221,483	Regular - Purpose Regular – Street Operations	221,483
	<b>Total</b>	<b>\$221,483</b>		<b>\$221,483</b>

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

**NOTE 16 – RECEIVABLE AND PAYABLE BALANCES**

A. Receivables

Receivables at December 31, 2014 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$277,972	\$57,098	\$335,070
Taxes	241,916	1,162,403	1,404,319
Due from Other Governments	23,213	0	23,213
Interfund Loan	0	316,671	316,671
<b>Totals</b>	<b>\$543,101</b>	<b>\$1,536,172</b>	<b>\$2,079,273</b>

B. Payables

Payables at December 31, 2014 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$155,309	\$907,971	\$1,063,280
Custodial Accounts	-	23,701	23,701
Mitigation/Retainage	30,344	6,493	36,837
Interest	-	5,707	5,707
Capital Lease	22,064	-	22,064
Loans/Debt	41,671	9,474,890	9,516,561
Compensated Absences/Wages	702,195	379,924	1,082,119
Post-Employment Benefits	685,429	0	685,429
<b>Totals</b>	<b>\$1,637,012</b>	<b>\$10,798,686</b>	<b>\$12,435,698</b>

**NOTE 17 – INTERGOVERNMENTAL REVENUES OF THE GENERAL FUND**

The city annually records and monitors time spent by the Office of the Mayor and the Finance Department for the Finance and Executive charges and the Public Works Administration Staff for the Public Works Administration charges to accurately reflect the time charge to the proprietary funds for those charges for services performed by the General fund. The funds are classified as an operating expense in the Street, Light, Water, Solid Waste and Sewer funds and are recorded in the General Fund. At year end, the revenue is closed into the general fund expense accounts to allow for one expense to be recorded in the financial statements for those operating expenses. In 2014, \$987,162 was closed in the expense accounts in the Mayor's office, Finance Department, and Legal Services division. \$407,084 was closed into Public Works Administration to account for the maintenance and operations cost of Public Works Administration.

**NOTE 18 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS**

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the city's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Annual Report.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$685,429 is included as a noncurrent liability on the Statement of Net Position. Arc for the 2014 fiscal year is \$219,687.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	City Contribution	Net OPEB Obligation
12/31/2008	\$327,408	44.83%	\$160,819	\$166,589
12/31/2009	\$303,277	55.20%	\$167,396	\$302,470
12/31/2010	\$254,861	60.42%	\$153,980	\$403,351
12/31/2011	\$235,354	44.68%	\$125,977	\$512,728
12/31/2012	\$220,616	36.16%	\$137,348	\$595,996
12/31/2013	\$198,462	29.22%	\$129,224	\$665,234
12/31/2014	\$187,004	26.73%	\$166,809	\$685,429



---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

**NOTE 19 – ADJUSTMENTS TO NET POSITION**

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

<b>Fund</b>	<b>Amount</b>	<b>Reason for Adjustment</b>
<i>Governmental Activity:</i>		
Arterial Street Fund	\$-564	Credit on receivable was taken in 2014. Capital asset was also reduced in 2014 to account for the receivable credit.
Parks and Recreation	113	Interdepartmental Utility Billing error was resolved. The account was debited for utilities while maintaining a credit balance.
<b>Total Governmental Activity Adjustment</b>	<b>\$-451</b>	
<i>Business-Type Activity:</i>		
Light Fund	204,126	Manual Adjustment to account for prior year work orders unitized and correct unitized asset depreciation in 2014 (\$199,662), correct general ledger for WIP and consumer deposits (\$4,464).
<b>Total Business-Type Activity Adjustment</b>	<b>\$204,126</b>	

**NOTE 20 – SUBSEQUENT EVENT**

The following note was received by Association of Washington Employee Benefit Trust Health Care Program to be included in the 2014 financial statement. After 2014, this note will be included with Note 8 – Risk Management.

The City of Cheney, Washington is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political

---

**CITY OF CHENEY, WASHINGTON**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

---

subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Other Post Employment Benefits						
Required Supplementary Information						
LEOFF 1 Retiree Medical Benefits						
Schedule of Funding Progress						
Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2006	\$ -	\$3,516,217	\$3,516,217	0%	\$ -	0%
12/31/2007	\$ -	\$3,516,217	\$3,516,217	0%	\$ -	0%
12/31/2008	\$ -	\$3,516,217	\$3,516,217	0%	\$ -	0%
12/31/2009	\$ -	\$3,350,403	\$3,350,403	0%	\$ -	0%
12/31/2010	\$ -	\$2,900,648	\$2,900,648	0%	\$ -	0%
12/31/2011	\$ -	\$2,743,277	\$2,743,277	0%	\$ -	0%
12/31/2012	\$-	\$2,641,514	\$2,641,514	0%	\$ -	0%
12/31/2013	\$-	\$2,446,620	\$2,446,620	0%	\$ -	0%
12/31/2014	\$	\$2,359,344	2,359,344	0%	\$ -	0%

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (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>