



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Stevenson

Skamania County

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

Published July 23, 2015

Report No. 1014683





Washington State Auditor's Office

July 23, 2015

Mayor and City Council
City of Stevenson
Stevenson, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Stevenson's financial statements and compliance with federal laws and regulations.

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

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FEDERAL SUMMARY

**City of Stevenson
Skamania County
January 1, 2014 through December 31, 2014**

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

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
10.760	Water and Wastewater Program Cluster - Water and Waste Disposal Systems for Rural Communities

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

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

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

**City of Stevenson
Skamania County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Stevenson
Stevenson, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Stevenson, Skamania County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated July 13, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

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

July 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Stevenson
Skamania County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Stevenson
Stevenson, Washington

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

We have audited the compliance of the City of Stevenson, Skamania County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

July 13, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Stevenson Skamania County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Stevenson
Stevenson, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Stevenson, Skamania County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Stevenson, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Stevenson, as of December 31, 2014, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 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

July 13, 2015

FINANCIAL SECTION

**City of Stevenson
Skamania County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

City of Stevenson
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

	Total for All Funds (Memo Only)	001 General Fund	100 Street Fund	103 Tourism Promo & Develop Fund	300 Capital Improvement Fund	302 Bridging Byways Trail Fund	304 Gateway/Wayfinding Signage Fund	305 Quiet Zone/CERB Project	307 Cascade Avenue Improvements	400 Water/Sewer Fund	500 Equipment Service Fund
Beginning Cash and Investments											
30810 Reserved	1,550,694	-	-	763,749	180,260	94,045	-	110,000	-	402,639	-
30880 Unreserved	2,019,639	1,222,917	237,114	-	-	-	22,490	-	-	470,082	67,037
388 & 588 Prior Period Adjustments, Net	-	-	-	-	-	-	-	-	-	-	-
Operating Revenues											
310 Taxes	1,307,253	684,972	240,202	372,046	10,033	-	-	-	-	-	-
320 Licenses and Permits	24,830	475	-	-	-	-	-	-	-	-	-
330 Intergovernmental Revenues	474,586	24,218	44,712	-	-	370,614	-	1,955	33,087	-	-
340 Charges for Goods and Services	971,210	47,323	-	-	-	-	-	-	-	825,766	98,121
350 Fines and Penalties	12,070	12,070	-	-	-	-	-	-	-	-	-
360 Miscellaneous Revenues	18,623	10,767	113	1,867	275	-	-	-	1,814	-	3,786
Total Operating Revenues:	2,808,572	803,705	285,502	373,913	10,309	370,614	-	1,955	33,087	827,580	101,907
Operating Expenditures											
510 General Government	244,113	-	-	-	-	-	-	-	-	-	-
520 Public Safety	195,560	-	-	-	-	-	-	-	-	-	-
530 Utilities	667,523	-	-	-	-	-	-	-	-	667,523	-
540 Transportation	351,681	-	257,956	-	-	-	-	-	-	-	93,725
550 Natural and Economic Environment	152,645	-	-	-	-	-	-	-	-	-	-
560 Social Services	6,326	6,057	269	-	-	-	-	-	-	-	-
570 Culture and Recreation	352,432	26,893	-	325,539	-	-	-	-	-	-	-
Total Operating Expenditures:	1,973,230	628,265	258,225	325,539	-	370,614	-	-	-	667,523	93,725
Net Operating Increase (Decrease):	835,292	175,437	27,277	48,374	10,309	-	-	1,955	33,087	160,057	8,182
Nonoperating Revenues											
370-380, 395 & 398 Other Financing Sources	24,454	-	4,195	-	-	-	-	-	-	20,259	-
391-393 Debt Proceeds	476,438	-	-	-	-	-	-	165,000	-	476,438	-
397 Transfers-In	654,750	-	-	-	-	339,650	-	165,000	150,100	-	-
Total Nonoperating Revenues:	1,155,642	-	4,195	-	-	339,650	-	165,000	150,100	496,697	-
Nonoperating Expenditures											
580, 596 & 599 Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-
591-593 Debt Service	60,699	-	-	-	-	-	-	-	-	-	-
594-595 Capital Expenditures	1,102,064	6,571	35,379	899	-	520,121	22,490	17,809	47,990	57,456	3,243
597 Transfers-Out	654,750	329,650	100,100	225,000	-	-	-	-	-	406,484	44,320
Total Nonoperating Expenditures:	1,817,513	336,221	135,479	225,899	-	520,121	22,490	17,809	47,990	463,940	47,563
Net Increase (Decrease) in Cash and Investments:	173,421	(160,784)	(104,007)	(177,525)	10,309	190,143	(22,490)	149,146	135,197	192,814	(35,381)
Ending Cash and Investments											
50810 Reserved	1,876,223	-	-	586,224	190,569	284,189	-	259,146	135,197	422,898	-
50880 Unreserved	1,865,530	1,062,132	133,107	-	-	-	-	-	-	642,636	27,656

The accompanying notes are an integral part of this statement.

City of Stevenson
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	622 Trust Fund
308	Beginning Cash and Investments	33,349	33,349
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	19	19
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
Net Increase (Decrease) in Cash and Investments:		19	19
508	Ending Cash and Investments	33,368	33,368

The accompanying notes are an integral part of this statement.

City of Stevenson
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The City of Stevenson was incorporated on December 2, 1907, and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor–council form of government. The City of Stevenson is a general purpose government that provides public safety, fire prevention, street maintenance, planning, parks maintenance, water and sewer, municipal court, health and social services and general administrative services.

Starting with the 2013 fiscal year, the City of Stevenson reports financial activity using the revenue and expenditure classifications, financial statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual, as more fully described in Note 1.B below. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor’s Office under the authority of Washington State Law, Chapter 43.09 RCW. This financial reporting framework differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on the cash basis of accounting as described in Note 1.B below.
- Government-wide financial statements, as defined in GAAP, are not presented.
- All funds are presented, rather than focusing on major funds.
- A *Schedule of Liabilities* is presented with the financial statements as supplementary information.
- Certain supplementary information required by GAAP is not presented.
- Ending balances are presented using different classifications than defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

project.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized when cash is received during the fiscal year. Expenditures are recognized when paid during the fiscal year or within the first 20 days of the following year when properly chargeable to the report year as required by State law RCW 35A.33.150.

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

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

C. Budgets

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

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

Appropriated and actual expenditures for each fund are shown on the following page.

Appropriated and actual expenditures for each fund were as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 - General Fund	\$ 1,996,455	\$ 964,490	\$ 1,031,965
100 - Street Fund	482,350	393,704	88,646
103 - Tourism Promotion Fund	1,085,600	551,438	534,162
300 - Capital Improvements Fund	189,200	-	189,200
302 - Bridging Byways Trail	800,700	520,121	280,579
304 - Gateway Park / Wayfinding Signage	22,490	22,490	-
305 - Quad Gates / Quite Zone Fund	571,000	17,809	553,191
307 - Cascade Avenue Improvements	601,000	47,989	553,011
400 - Water / Sewer Fund	2,142,460	1,131,463	1,010,997
500 - Equipment Service Fund	149,340	141,288	8,052
622 - Unemployment Fund	\$ 33,363	\$ -	\$ 33,363

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

D. Cash

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

E. Deposits

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

F. Investments See Note 3, *Investments*.

G. Capital Assets

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

H. Compensated Absences

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

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

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

J. Other Financing Sources or Uses

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

1. \$4,195 insurance reimbursement received in the General Fund for street light damage.
2. \$20,220 capital contributions for new construction systems development charges and \$39 customer deposits received in the Water / Sewer Fund.

K. Risk Management

The City of Stevenson is a member of an insurance pool, the Cities Insurance Association of Washington, as authorized by Chapter 39.34 RCW. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2014 there were 223 members in the pool.

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

The pool acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for the first \$1,000 of the deductible portion of each claim, while the pool is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 portion of the self-insured retention. The pool also purchases a Stop Loss Policy with a limit of \$3,259,000 to cap the total claims paid by the pool in any one year.

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

Equipment breakdown insurance is subject to a per-occurrence deductible that varies from \$2,500 to \$10,000 per occurrence.

Members contract to remain in the program for a minimum of one year. The Interlocal Agreement is then renewed automatically each year until terminated. To terminate, members must give notice before August 31st to terminate participation the following September 1st. In 2014 the renewal date was changed by the Board from September 1st to December 1st beginning with the 2014-15 policy term.

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

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

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

No unemployment benefits were paid by the City of Stevenson in the past three fiscal years (fiscal years ended December 31 2012, 2013, and 2014).

L. Reserved Fund Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or by internal commitments established by City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources before using unreserved resources.

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

- Tourism Promotion Fund – The primary source of revenue in the Tourism Promotion Fund is lodging tax receipts, which are reserved for tourism promotion activities per state law (RCW 67.28.1816).
- Capital Improvement Fund - The primary source of revenue in the Capital Projects Fund is the Real Estate Excise Tax (REET) which is reserved for certain types of capital improvements per state law (RCW 82.46.010).
- Bridging Byways Community Trail – The balance in this fund is from project specific Federal grants and transfers from other reserved sources.
- Quiet Zone / CERB Project – The balance in this fund is from project specific State grants and transfers from other reserved sources.
- Cascade Avenue Improvements Fund - The balance in this fund is from transfers from other reserved sources.
- Water / Sewer Fund – The reserved portion of the Water / Sewer Fund is primarily from new connection charges (Systems Development Charges) that are required by state law to be used for new construction activities related to water and sewer plant capital improvements. A small portion (\$39.00) is from customer security deposits.
- The Street Fund receives motor vehicle fuel excise taxes (a restricted revenue source), but all such revenues are fully spent in the year of receipt.

Note 2 – Compliance and Accountability

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

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

Note 3 - Investments

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

Investments by type as of December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P	\$1,345,000
Public Funds Certificates of Deposit	245,000
Government Bonds	<u>1,093,501</u>
Total:	<u>\$2,683,501</u>

Note 4 - Property Taxes

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

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

The City’s regular levy for fiscal year 2014 was \$2.109595 per \$1,000 of assessed value on a total assessed valuation of \$199,950,507 for a total levy of \$421,814.

Note 5 - Interfund Loans

The City had no interfund loans in fiscal year 2014.

Note 6 – Debt Service Requirements

The accompanying *Schedule of Long-Term Liabilities* (Schedule 09) provides more details of the City’s outstanding debt and liabilities and summarizes the City’s debt transactions for the year ended December 31, 2014.

The City of Stevenson issues general obligation and revenue bonds to finance the construction of infrastructure and the purchase of major capital assets. There are no general obligation bonds currently outstanding. The City borrowed from the Public Works Trust Fund for a major water system upgrade in 2007, from Rural Development (USDA) for the purchase of a street sweeper in 2009, and from Rural Development (USDA) to finance a sewer outfall extension project in 2013. The Water/Sewer fund is repaying the Public Works Trust Fund loan and the Sewer Outfall extension loan. The Equipment Service Fund is repaying the street sweeper loan.

Note 6 – Debt Service Requirements, Continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	23,273	1,396	24,669
2016	23,273	1,280	24,553
2017	23,273	1,164	24,437
2018	23,273	1,047	24,320
2019	23,273	931	24,204
2020-2024	116,367	2,909	119,276
2025-2026	46,547	349	46,896
Total	279,279	9,076	288,355

USDA Loan (Street Sweeper) Scheduled Payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	2,735	508	3,243
2016	2,855	388	3,243
2017	2,980	263	3,243
2018	3,041	133	3,174
Thereafter	-	-	-
Total	11,611	1,292	12,903

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	19,578	13,092	32,670
2016	20,120	12,550	32,670
2017	20,676	11,993	32,669
2018	21,249	11,421	32,670
2019	21,837	10,832	32,669
2020-2024	118,600	44,750	163,350
2025-2029	135,954	27,396	163,350
2030-2033	99,373	7,506	106,879
Total	457,387	139,540	596,927

Note 7 - Pension Plans

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

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

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

Note 8 – Prior Period Adjustment

The City included an Ending Fund Balance, Reserved, of \$7,742 in the General Fund for the year ended December 31, 2013. The balance in this account has been restated to zero for the year ended December 31, 2014, to correct a prior year reporting error. The funds in this account are from custodial accounts and as such should not have been included in the General Fund.

Note 9 – Construction Commitments

The City had one active construction project as of December 31, 2014, the Bridging Byways Community Trail Project. The City’s remaining commitment to contractors for this project as of December 31, 2014 was \$312,037.

City of Stevenson
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	USDA Street Sweeper Loan	10/1/2018	14,231	-	2,620	11,610
259.11	Vacation Accrual		19,486	-	2,464	17,022
259.11	Sick Leave Buyout		-	16,551	-	16,551
	Total General Obligations:		33,717	16,551	5,084	45,183
Revenue Obligations						
252.11	PWTF Loan, Water System Upgrades	6/1/2026	302,554	-	23,273	279,281
259.12	Vacation Accrual		-	13,688	-	13,688
259.12	Sick Leave Buyout		-	13,050	-	13,050
252.11	USDA RDA Loan, Sewer Outfall	12/10/2033	-	476,438	19,050	457,388
	Total Revenue Obligations:		302,554	503,176	42,323	763,407
	Total Liabilities:		336,271	519,727	47,408	808,590

City of Stevenson
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Community Facilities Loans and Grants Cluster							
Rural Housing Service, Department Of Agriculture	Community Facilities Loans and Grants	10.766	56-030 Fund Code 97, Loan No 04	-	11,610	11,610	1,3
	Total Community Facilities Loans and Grants Cluster:			-	11,610	11,610	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation)	Highway Planning and Construction	20.205	SB-WA11(002)	378,080	-	378,080	1,2
	Total Highway Planning and Construction Cluster:			378,080	-	378,080	
Water and Waste Program Cluster							
Rural Utilities Service, Department Of Agriculture	Water and Waste Disposal Systems for Rural Communities	10.760	56 030 Fund Code 92/Loan No 06	-	476,438	476,438	1,2,3
	Total Water and Waste Program Cluster:			-	476,438	476,438	
	Total Federal Awards Expended:			378,080	488,048	866,129	

The accompanying notes are an integral part of this statement.

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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Stevenson's financial statements. The City of Stevenson uses the cash basis of accounting as described in the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* manual published by the State Auditor's Office.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Stevenson's portion, may be more than shown on this schedule.

NOTE 3 - FEDERAL LOANS

- (a) In 2009 the City of Stevenson was approved by USDA Rural Development to receive a \$23,700 Community Facilities Loan to purchase a street sweeper.

- (b) In 2013 the City of Stevenson was approved by USDA Rural Development to receive a loan for up to \$500,000 for improvements to the City's sewer system, including extending the sewer outfall pipe. Actual funding needed to complete the project totaled \$476,438.

The amount listed for each loan on the Schedule of Expenditures of Federal Awards includes the proceeds received during the year (if any) and the outstanding loan balance from prior years (if any) for loans with continuing compliance requirements in accordance with State Auditor's Office requirements. All loans with outstanding balances as of December 31, 2014 are also reported on the City of Stevenson's Schedule of Long-Term Liabilities (Schedule 09).

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov