



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,

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

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.

MCAG #0652 CITY OF STEVENSON, WASHINGTON

**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