



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Granger

Yakima County

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

Published September 17, 2015

Report No. 1015117





Washington State Auditor's Office

September 17, 2015

Mayor and City Council
City of Granger
Granger, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Granger'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 Granger
Yakima County
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Granger 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 its major federal program.

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 was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.228	CDBG - State-Administered CDBG Cluster - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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 Granger
Yakima County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Granger
Granger, 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 Granger, Yakima 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 September 10, 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.



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

September 10, 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 Granger
Yakima County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Granger
Granger, Washington

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

We have audited the compliance of the City of Granger, Yakima 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

September 10, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Granger Yakima County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Granger
Granger, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Granger, Yakima 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 Granger 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 Granger, 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 Granger, 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 September 10, 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

September 10, 2015

FINANCIAL SECTION

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

		Total for All Funds (Memo Only)	001 Current Expense	100 City Street
Beginning Cash and Investments				
30810	Reserved	881,576	105,878	-
30880	Unreserved	807,294	126,601	79,995
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	1,018,910	848,627	35,923
320	Licenses and Permits	63,953	63,953	-
330	Intergovernmental Revenues	1,066,622	138,107	68,380
340	Charges for Goods and Services	1,306,317	95,415	-
350	Fines and Penalties	28,095	28,095	-
360	Miscellaneous Revenues	62,007	12,242	3,636
Total Operating Revenues:		3,545,905	1,186,439	107,938
Operating Expenditures				
510	General Government	302,082	302,082	-
520	Public Safety	819,933	778,293	-
530	Utilities	1,028,044	12,325	-
540	Transportation	105,730	-	105,730
550	Natural and Economic Environment	103,588	99,374	-
560	Social Services	758	758	-
570	Culture and Recreation	73,705	71,555	-
Total Operating Expenditures:		2,433,839	1,264,386	105,730
Net Operating Increase (Decrease):		1,112,064	(77,948)	2,208
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	295,285	22,685	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	116,106	116,106	-
Total Nonoperating Revenues:		411,391	138,791	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	291,914	21,412	-
591-593	Debt Service	38,008	-	-
594-595	Capital Expenditures	1,379,729	-	-
597	Transfers-Out	116,106	-	-
Total Nonoperating Expenditures:		1,825,756	21,412	-
Net Increase (Decrease) in Cash and Investments:		(302,301)	39,431	2,208
Ending Cash and Investments				
50810	Reserved	754,053	109,381	-
50880	Unreserved	632,546	162,558	82,203

The accompanying notes are an integral part of this statement.

135 Criminal Justice Fund	139 Public Safety Fund	175 Festival/float Fund	185 Gtp Development	190 Fed. Housing Rehab Grant	305 Cultural Plaza Project Fund
11,806	144,935	38,312	-	49,246	-
1	214	2,269	2	115	-
-	-	-	-	-	-
44,402	81,347	-	-	-	-
-	-	-	-	-	-
4,784	-	-	-	1,660	5,071
-	-	-	-	-	-
-	-	-	-	-	-
0	61	603	-	33	-
49,186	81,407	603	-	1,693	5,071
-	-	-	-	-	-
41,641	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,214	-
-	-	-	-	-	-
-	-	2,150	-	-	-
41,641	-	2,150	-	4,214	-
7,545	81,407	(1,547)	-	(2,521)	5,071
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	45,053	-	-	-	5,071
-	106,280	-	-	-	-
-	151,333	-	-	-	5,071
7,545	(69,926)	(1,547)	-	(2,521)	0
19,352	74,949	38,887	0	46,839	-
1	275	146	2	-	-

The accompanying notes are an integral part of this statement.

335 Capital Improvement Fund	410 Water/sewer	430 Garbage	450 Home Irrigation
-	399,608	131,787	4
68,290	446,429	50,734	32,644
-	-	-	-
8,612	-	-	-
-	-	-	-
-	848,620	-	-
-	824,432	228,257	158,213
-	-	-	-
48	36,943	8,406	36
8,660	1,709,995	236,663	158,249
-	-	-	-
-	-	-	-
-	629,782	217,673	168,264
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	629,782	217,673	168,264
8,660	1,080,213	18,990	(10,015)
-	107,600	-	165,000
-	-	-	-
-	-	-	-
-	107,600	-	165,000
-	170,502	-	100,000
-	36,663	-	1,345
-	1,295,945	-	33,660
4,000	5,826	-	-
4,000	1,508,936	-	135,005
4,660	(321,123)	18,990	19,980
-	332,722	131,918	4
72,949	192,193	69,593	52,625

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	621 McElfresh Fund	622 Bell Memorial Fund	630 Court
308	Beginning Cash and Investments	70,642	-	66,566	4,076
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	54,313	-	1,199	53,113
380-390	Other Increases and Financing Sources	-	-	-	-
510-570	Expenditures	54,544	-	1,047	53,497
580-590	Other Decreases and Financing Uses	-	-	-	-
	Net Increase (Decrease) in Cash and Investments:	(232)	-	152	(384)
508	Ending Cash and Investments	70,411	0	66,718	3,692

The accompanying notes are an integral part of this statement.

CITY OF GRANGER

NOTES TO FINANCIAL STATEMENTS

January 1, 2014 through December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The City of Granger was incorporated on October 1, 1909 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Granger is a general purpose local government and provides public safety, fire protection, street improvements, parks, general administrative services, water, sewer, irrigation, and garbage services.

The City of Granger reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. The manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. The City of Granger has no Component units.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the City of Granger are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The City of Granger's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used.

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense)

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry. The City of Granger has no Permanent Funds.

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.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

Fund 630 Court. These funds are used to account assets that City of Granger holds for others in an agency capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the City of Granger also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

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

C. Budgets

The City of Granger adopts annual appropriated budgets for the Street, EMS, Criminal Justice, Crime Prevention, Public Safety, Fire Dept. Reserve, Festival/Float, General Reserve, Federal Housing Rehabilitation, Cosecha Court CDBG, Planning Only, SEID, Cultural Plaza, Capital Improvements, Water/Sewer, Garbage, Consumer Deposit, Irrigation, Garbage Reserve, PWTF Reserve, W/S Reserve, McElfresh Fund, and Bell Memorial fund. These budgets are appropriated at the fund level except the General (current expense) Fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 1,241,719.00	\$ 1,239,543.38	\$ 2,175.62
Street Fund	\$ 107,060.00	\$ 105,729.60	\$ 1,330.40
EMS Fund	\$ 25,070.00	\$ 24,842.49	\$ 227.51
Criminal Justice Fund	\$ 44,793.00	\$ 41,640.56	\$ 3,152.44
Crime Prevention Fund	\$ 25.00	\$ 0.00	\$ 25.00
Public Safety Fund	\$ 156,780.00	\$ 151,332.66	\$ 5,447.34
Fire Dept. Reserve Fund	\$ 0.00	\$ 0.00	\$ 0.00
Festival/Float Fund	\$ 2,160.00	\$ 2,150.35	\$ 9.65
General Reserve Fund	\$ 0.00	\$ 0.00	\$ 0.00
Fed. House Rehab Fund	\$ 4,250.00	\$ 4,214.26	\$ 35.74
Cosecha Court Fund	\$ 0.00	\$ 0.00	\$ 0.00
Plan Only Grant Fund	\$ 23,875.00	\$ 5,825.67	\$ 18,049.33
SEID Fund	\$ 0.00	\$ 0.00	\$ 0.00
Cultural Plaza Fund	\$ 0.00	\$ 5,071.30	\$ (5,071.30)
Capital Improve Fund	\$ 4,000.00	\$ 4,000.00	\$ 0.00
Water/Sewer Fund	\$ 4,965,103.00	\$ 1,947,614.90	\$ 3,017,488.10
Garbage Fund	\$ 217,800.00	\$ 217,672.79	\$ 127.21
Consumer Deposit Fund	\$ 0.00	\$ 5,501.86	\$ (5,501.86)
Irrigation Fund	\$ 204,850.00	\$ 203,268.80	\$ 1,581.20
Garbage Reserve Fund	\$ 0.00	\$ 0.00	\$ 0.00
PWTF Reserve Fund	\$ 15,050.00	\$ 14,775.20	\$ 274.80
W/S Reserve Fund	\$ 0.00	\$ 0.00	\$ 0.00
Bell Memorial Fund	\$ 1,050.00	\$ 1,047.21	\$ 2.79

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

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to 17 days depending on the years of service and is payable upon separation or retirement.

Sick leave may be accumulated up to 480 hours. Upon retirement, employees do receive payment for unused sick leave.

G. Long-Term Debt

See Note 5, Debt Service Requirements.

H. Other Financing Sources or Uses

The City of Granger's *Other Financing Sources or Uses* consist of:

Interfund loans
Long Term Debt

I. Risk Management

The City of Granger is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2014, 94 municipalities/entities participate in the RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverage's are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity, and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC procures for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the

stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

J. Reserved Portion of Ending Cash and Investments

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

In relation to internal commitments, the Granger City Council may establish, modify or rescind a fund balance commitment by Ordinance.

The following funds are consolidated within the appropriate primary fund and reported under 508.10 Reserved.

120 EMS Fire Department Fund: Revenues and expenditures are committed for an ongoing method to promote the funding of emergency medical services by the Granger Fire and Police per Ordinance 740. The Ending Fund Balance of \$20,238.98 is reserved. The fund is rolled into the General Fund 001 for reporting.

137 Crime Prevention Fund: Revenues and expenditures are committed for an ongoing method to combat criminal activities per Granger Municipal Code Ch. 1.18 and 3.90. The Ending Fund Balance of \$23,476.02 is reserved. The fund is rolled into the General Fund 001 for reporting.

150 Fire Dept. Reserve Fund: Revenues and expenditures are committed for an ongoing method for purchasing fire-fighting equipment per Ordinance 502. The Ending Fund Balance of \$35,297.41 is reserved. The fund is rolled into the General Fund 001 for reporting.

185 General Reserve Fund: Revenues and expenditures are committed per Ordinance 978 to maintain any funds received by the City that are not budgeted, or that they may elect to place therein as a reserve account and may be disbursed by Resolution as the City Council may determine. The Ending Fund Balance of \$23,095.52 is reserved. The fund is rolled into the General Fund 001 for reporting.

195 Cosecha Court Fund: This is a special fund created for the administration of CDBG Program Grant Monies. The Ending Fund Balance of \$7,273.33 is reserved. The fund is rolled into the General Fund 001 for reporting.

196 Planning Only Grant Fund: This is a special fund created for all costs of consulting, engineering and any other costs relating to the development of a water system comprehensive plan under a Community Development Block Grant Per GMC Ch. 3.64. The Ending Fund Balance of \$18,063.46 is reserved. The fund is rolled into the Water-Sewer Fund 410 for reporting.

440 Consumer Deposit Fund: A Trust Fund to hold water service deposits until renter ceases service, the deposit shall be refunded, less any unpaid account per Granger Municipal Code 13.24.140 C. The Ending Fund Balance of \$39,580.43 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

475 PWTF Reserve Fund: This reserve fund was established for the purpose of making payment on the public works trust fund loan. The Ending Fund Balance of \$133,401.56 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

480 Water-Sewer Reserve Fund: Revenues and expenditures shall support the operation and improvements of the water/sewer fund as deemed by the Granger City Council per Granger Municipal Code 3.110.010. The Ending Fund Balance of \$141,676.22 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

451 Garbage Reserve Fund: Ordinance 567 established this reserve fund for the purchase of garbage disposal/collection equipment and the monies in this fund shall not be expended for any other purpose. The Ending Fund Balance of \$131,917.54 is reserved. The Fund is rolled in the Garbage Fund 430 for reporting.

155 Home Irrigation: Revenues and Expenditures shall be used exclusively for the irrigation system improvements per Granger Municipal Code Ch. 3.35.020. The End Fund Balance of \$4.48 is reserved. The fund is rolled on the Irrigation Fund 450 for reporting.

180 Dinosaur Fund: Revenues and expenditures are committed to the promotion and construction of dinosaurs for the "Prehistoric Dinosaur Theme." The Ending Fund Balance of \$3,170.02 is reserved. The fund is rolled in the Festival/Float Fund 175 for reporting.

Note 2 - Deposits and Investments.

It is the City of Granger's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

The City of Granger deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of Granger or the Washington State Local Investment Pool, its agent in the City of Granger's name.

Investments are reported at original cost to the Washington State Local Investment Pool. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>City of Granger's Own investments</u>	<u>Investments held by City as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
L.G.I.P.	\$ <u>961,520.66</u>	\$ _____	\$ <u>961,520.66</u>
Total	\$ <u>961,520.66</u>	\$ _____	\$ <u>961,520.66</u>

Securities Lending Transactions

None.

Derivatives

None.

Note 3 - Property Tax

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

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

The City of Granger's regular levy for the year 2014 was \$2.51 per \$1,000 on an assessed valuation of \$80,649,247.00 for a total regular levy of \$202,928.56. Included with the property tax are the Real Estate Excise Taxes (REET) which is placed in the Capital Improvement Fund regulated by RCW. The City also receives money from the EMS Tax Levy which is placed in the EMS Fire Department Fund.

120 EMS Fire Department Fund, EMS Tax Levy portion	\$25,114.82
335 Capital Improvement Fund, REET	7,344.98

Note 4- Interfund Loans

The following table displays interfund loan activity during 2014:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2014</u>
450	480	\$ <u>0</u>	\$ <u>165,000</u>	\$ <u>101,344.88</u>	\$ <u>65,000.00</u>
		\$ _____	\$ _____	\$ _____	\$ _____
TOTALS			\$ <u>165,000</u>	\$ <u>101,344.88</u>	\$ <u>65,000.00</u>

Note 5 - Debt Service Requirements.

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

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

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2015			20,832	20,832
2016			39,177	39,177
2017			104,740	104,740
2018			106,927	106,927
2019- 2023			541,945	541,945
2024- 2028			564,098	564,098
2029- 2033			635,443	635,443
2034- 2038			319,491	319,491
2039- 2043			82,147	82,147
2044- 2048			96,394	96,394
2049- 2050	_____	_____	<u>21,202</u>	<u>21,202</u>
TOTALS	\$_____	\$_____	<u>\$2,532,395</u>	<u>\$2,532,395</u>

Note 6 - Pension Plans

Substantially all City of Granger's full-time and qualifying part-time employees participate in PERS 2 , LEOFF 2 and Deferred Compensation Program administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Granger's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

Note 7 - Other Disclosures

LEOFF

The City of Granger has a commitment to pay for post employment benefits for employees that belong to the Department of Retirement (LEOFF1) these benefits include all medical and vision care. One retiree received benefits during the year and \$6,762.60 was paid out for those benefits during the year.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		38,614	15,206	6,476	47,344
259.11	Compensated Absences		22,541	9,652	7,484	24,709
251.19	2010 USDA RD Loan	5/25/2050	460,356	-	6,926	453,430
263.81	P.W. Board Loan	6/1/2021	109,446	-	13,681	95,765
251.19	WA ST Water Pollution	8/30/2035	134,499	147,112	-	281,611
Total General Obligations:			765,456	171,970	34,567	902,859
Total Liabilities:			765,456	171,970	34,567	902,859

City of Granger
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	
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA ST. Dept. of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	1-92-741-009	1,693	-	1,693	3
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA ST Dept. of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	12-65400-024	959,211	-	959,211	7
Total CDBG - State-Administered CDBG Cluster:				960,904	-	960,904	
Other Programs							
US Dept. HUD (via USDA Rural Development Rural Utilities Program)	Economic Development Initiative-Special Project	14.251	B-09-SP-WA- 0244	5,071	-	5,071	8
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	482039002	-	2,515	2,515	
Water and Waste Program Cluster							
Rural Utilities Service, Department Of Agriculture	Water and Waste Disposal Systems for Rural Communities	10.760	56 039 1438	-	6,926	6,926	4
Total Water and Waste Program Cluster:				-	6,926	6,926	
Total Federal Awards Expended:				965,975	9,441	975,416	

CITY OF GRANGER, YAKIMA COUNTY, WASHINGTON

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

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Granger's financial statements. The City of Granger uses the BARS-Cash Basis of Accounting.

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 Granger portion, are more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The City of Granger has a revolving loan program for low income housing renovation. Under this federal program, repayments to the City of Granger are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of principal and interest received in loan repayments for the year was \$1,692.64. (Principal \$1,660.00; Interest \$32.64).

NOTE 4 - FEDERAL LOANS

The City of Granger, in 2012, was approved by the USDA Rural Utilities Service to receive a loan totaling \$480,000.00 to improve its drinking water system with a new reservoir. The City's principal balance due as of December 31, 2014 is \$453,429.20 after making a \$6,926.44 principal payment in 2014.

The amount listed for the loan includes the outstanding loan balance and requires an annual report. Loans that do not require any reporting are included on the City of Granger's Schedule of Long Term Liabilities.

NOTE 5 - INDIRECT COST RATE

The amount expended includes \$2492.47 general program administration, claimed as an indirect cost allocation using a conversion to a composite hourly billing rate for an employee.

NOTE 6 - AMOUNTS AWARDED TO SUBRECIPIENTS

The total amount expended for this program was passed through to a sub-recipient.

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	
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