



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Selah

Yakima County

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

Published September 30, 2015

Report No. 1015292





Washington State Auditor's Office

September 30, 2015

Mayor and City Council
City of Selah
Selah, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Selah'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

TABLE OF CONTENTS

Federal Summary	4
Schedule Of Federal Audit Findings And Questioned Costs.....	6
Status Of Prior Federal Audit Findings	13
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	14
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	17
Independent Auditor’s Report On Financial Statements	21
Financial Section.....	24
Corrective Action Plan For Findings Reported Under OMB Circular A-133	38
About The State Auditor’s Office.....	39

FEDERAL SUMMARY

**City of Selah
Yakima County
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Selah 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 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 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>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

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

2014-001 The City did not have adequate internal controls to ensure compliance with federal procurement requirements.

CFDA Number and Title:	66.468 Capitalization Grants for Drinking Water State Revolving Funds
Federal Grantor Name:	U.S. Environmental Protection Agency
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Department of Health
Pass-through Award/Contract Number:	DM12-952-093 DM13-952-130
Questioned Cost Amount:	\$0

Description of Condition

The City spent \$1,228,273 through its Drinking Water State Revolving Fund loan program in 2014 to update infrastructure related to its drinking water system. The City spent \$196,478 of the funds on an engineering contract to provide design and project management services on the project.

Federal grant recipients must follow the more restrictive of local, state or federal procurement requirements. State laws require the City to evaluate the statement of qualifications based upon established criteria and select the most highly qualified firm for procurement of engineering services.

The City advertised a request for qualifications for engineering services in compliance with procurement requirements for professional services. However, the City did not document how it evaluated the proposals based on established criteria.

We consider this internal control deficiency to be a material weakness.

Cause of Condition

Although the City advertised for qualified engineers, staff responsible for evaluating the proposals was not aware of the necessity to evaluate candidates based on specifically established criteria and retain documentation showing the scoring of qualified proposals and the justification for the final selection.

Effect of Condition and Questioned Costs

Without adequate documentation, federal grantors and the public cannot be assured the best services by the most qualified firm were received. However, the service was allowable under the federal program, and as a result, we are not questioning these costs.

Recommendation

We recommend the City establish and follow internal controls to ensure:

- Compliance with federal and state procurement requirements and retain adequate documentation.
- Staff responsible for grant compliance is adequately trained and are knowledgeable of federal and state procurement requirements.

City's Response

The City feels that it selected the best engineering services available from those considered in the selection process.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit. We will follow up during the next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations*, Section .300 – Auditee Responsibilities, states in part:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Section .235 Program-specific audits, states in part:

(3) The auditor shall:

(i) Perform an audit of the financial statement(s) for the Federal program in accordance with GAGAS;

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

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

Revised Code of Washington 39.80.40, Procurement of architect and engineering services – Submission of statement of qualification and performance data – Participation by minority and women-owned firms and veteran-owned firms, states:

In the procurement of architectural and engineering services, the agency shall encourage firms engaged in the lawful practice of their profession to submit annually a statement of qualifications and performance data. The agency shall evaluate current statements of qualifications and performance data on file with the agency, together with those that may be submitted by other firms regarding the proposed project, and shall conduct discussions with one or more firms regarding anticipated concepts and the relative utility of alternative methods of approach for furnishing the required services and then shall select therefrom, based upon criteria established by the agency, the firm deemed to be the most highly qualified to provide the services required for the proposed project. Such agency procedures and guidelines shall include a plan to insure that minority and women-owned firms and veteran-owned firms are afforded the maximum practicable opportunity to compete for and obtain public contracts for services. The level of participation by minority and women-owned firms and veteran-owned firms shall be consistent with their general availability within the professional communities involved.

Title 40, Code of Federal Regulations, Chapter 1 – Environmental Protection Agency, Section 31.36, states in part:

(b) Procurement standards.

(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal law, the standards identified in this section, and if applicable, § 31.38.

(c) Competition.

(1) All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of § 31.36. Some of the situations considered to be restrictive of competition include but are not limited to:

(ii) Requiring unnecessary experience and excessive bonding,

(vi) Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance of other relevant requirements of the procurement, and

(2) Grantees and sub-grantees will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference . . .

(3) Grantees will have written selection procedures for procurement transactions. These procedures will ensure that all solicitations:

(i) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equal” description may be used as a means to define the performance or other salient requirements of a procurement. The specific features of the named brand which must be met by offerors shall be clearly stated; and

(ii) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

(d) Methods of procurement to be followed.

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- (i) Requests for proposals will be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical;
- (ii) Proposals will be solicited from an adequate number of qualified sources;
- (iii) Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees;
- (iv) Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and
- (v) Grantees and subgrantees may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(f) Contract cost and price.

(1) Grantees and sub-grantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before

receiving bids or proposals. A cost analysis must be performed when the offer or is required to submit the elements of his estimated cost, e.g., under professional, consulting, and architectural engineering services contracts. A cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial products old in substantial quantities to the general public or based on prices set by law or regulation. A price analysis will be used in all other instances to determine the reasonableness of the proposed contract price.

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Selah. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2009 to December 31, 2009	Report Ref. No.: 1004297	Finding Ref. No.: 1	CFDA Number(s): 20.205
Federal Program Name and Granting Agency: American Recovery and Reinvestment Act (ARRA) – Highway Planning and Construction, U.S Federal Highway Administration		Pass-Through Agency Name: Department of Transportation	
Finding Caption: The City's controls are inadequate to ensure only allowable activities are charged to federal grants.			
Background: During 2009, the City spent \$1,440,455 in Highway Planning and Construction funding received through the American Recovery and Reinvestment Act (ARRA) for its Speyers Road Improvement project. In 2009, the City issued a change order in the amount of \$16,080 to reconstruct an undersized sewer line. The Federal Highway Administration audited the City's use of ARRA funding in March 2010. The audit concluded that the change order was beyond the scope of the original contract and ineligible for federal money. In response, the City paid back \$16,080. Federal Office of Management and Budget Circular A-133 requires our Office to disclose in our audit reports any known questions costs that exceed \$10,000.			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid </div>			
Corrective Action Taken: <i>As discussed above in the Background Section the City of Selah has repaid \$16,080 of ineligible costs to the grantor.</i>			

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

Mayor and City Council
City of Selah
Selah, 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 Selah, 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 24, 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.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated September 24, 2015.

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 24, 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 Selah
Yakima County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Selah
Selah, Washington

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

We have audited the compliance of the City of Selah, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 24, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Mayor and City Council
City of Selah
Selah, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Selah, 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 24.

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 Selah 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 Selah, 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 Selah, 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 24, 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 24, 2015

FINANCIAL SECTION

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

		Total for All Funds (Memo Only)	001 General Fund	103 Fire Control
Beginning Cash and Investments				
30810	Reserved	273,981	-	-
30880	Unreserved	6,183,709	1,276,525	178,903
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	5,231,882	3,865,175	392,966
320	Licenses and Permits	121,668	121,668	-
330	Intergovernmental Revenues	511,131	152,554	29,929
340	Charges for Goods and Services	5,302,657	185,817	572,493
350	Fines and Penalties	85,761	82,212	-
360	Miscellaneous Revenues	242,747	149,666	1,335
Total Operating Revenues:		11,495,846	4,557,092	996,723
Operating Expenditures				
510	General Government	635,399	635,392	-
520	Public Safety	3,056,786	1,993,830	1,062,955
530	Utilities	3,290,488	-	-
540	Transportation	655,197	-	-
550	Natural and Economic Environment	313,511	313,511	-
560	Social Services	1,680	1,680	-
570	Culture and Recreation	880,457	735,820	-
Total Operating Expenditures:		8,833,519	3,680,234	1,062,955
Net Operating Increase (Decrease):		2,662,328	876,859	-66,232
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	582,605	191,334	12,884
391-393	Debt Proceeds	4,311,871	3,084,853	-
397	Transfers-In	1,516,745	255,812	81,740
Total Nonoperating Revenues:		6,411,221	3,531,998	94,624
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	3,387,270	3,387,570	-
591-593	Debt Service	1,059,050	539,084	-
594-595	Capital Expenditures	3,219,385	443,719	81,740
597	Transfers-Out	1,516,745	196,256	-
Total Nonoperating Expenditures:		9,182,450	4,566,629	81,740
Net Increase (Decrease) in Cash and Investments:		-108,901	-157,771	-53,348
Ending Cash and Investments				
50810	Reserved	358,852	-	-
50880	Unreserved	5,989,938	1,118,753	125,554

The accompanying notes are an integral part of this statement.

110 City Street	111 Street Improvement	113 Paths & Trails	115 Local Access Street Improv.	119 Transit	150 Fire Equipment Reserve
-	-	-	-	-	-
157,878	-43,164	6,010	62,988	416,353	215,593
-	-	-	-	-	-
245,000	-	-	-	445,071	-
-	-	-	-	-	-
132,694	155,037	636	-	16,331	-
11,000	-	-	-	-	-
-	-	-	-	-	-
3,724	0	26	350	2,439	7,903
392,419	155,037	662	350	463,841	7,903
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
372,283	-	-	-	282,914	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
372,283	-	-	-	282,914	-
20,136	155,037	662	350	180,927	7,903
5,616	-	-	-	-	-
-	-	-	-	-	-
93,078	105,790	-	80,000	-	-
98,693	105,790	-	80,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
264,553	268,872	-	-	307,207	-
60,000	-	-	37,354	5,000	81,740
324,553	268,872	-	37,354	312,207	81,740
-205,723	-8,045	662	42,996	-131,280	-73,837
-	-	-	-	-	-
-47,846	-51,208	6,672	105,983	285,073	141,756

The accompanying notes are an integral part of this statement.

153 EMS Equipment Reserve	171 Public Works Equipment Reserve	180 Drugs & Alcohol Community Res.	181 Crime Prevention Accum. Res.	190 SPRSA Pool
-	-	-	-	-
25,713	608,164	6,472	6,443	-3,336
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	158,054
-	-	1,443	2,061	-
23	7,111	5	5	7,092
23	7,111	1,448	2,066	165,146
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	144,637
-	-	-	-	144,637
23	7,111	1,448	2,066	20,509
-	-	-	-	-
-	-	-	-	-
-	180,000	-	-	28,690
-	180,000	-	-	28,690
-	-	-	-	-
-	-	-	-	-
-	-	-	-	28,690
-	459,394	-	-	-
-	459,394	-	-	28,690
23	-272,283	1,448	2,066	20,509
-	-	-	-	-
25,736	335,881	7,920	8,509	17,172

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	633 Municipal Court Suspense
308	Beginning Cash and Investments	1,500	1,500
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	201,632	201,632
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	203,132	203,132
	Net Increase (Decrease) in Cash and Investments:	(1,500)	(1,500)
508	Ending Cash and Investments	-	-

The accompanying notes are an integral part of this statement.

CITY OF SELAH

NOTES TO FINANCIAL STATEMENTS

2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Selah was incorporated on March 17, 1919 and operates under the laws of the state of Washington applicable to a noncharter code city. The city is a general purpose government and provides Public Safety, Solid Waste Disposal, Fire Prevention, Street Maintenance & Improvement, Parks & Recreation, Municipal Court, Library and General Administration Services.

The city 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. This 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.
- 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 government 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 government'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. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

b. Basis of Accounting

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

c. Budgets

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the General 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
001 General Fund:			
Legislative	\$ 57,193	\$ 59,166	\$ (1,973)
Court	114,852	121,234	(6,382)
Executive	147,768	149,607	(1,839)
Financial/Record Svcs.	172,561	167,093	5,468
Legal	95,368	90,588	4,780
Facilities	52,455	47,704	4,751
Police	1,877,903	1,870,057	7,846
Detention/Corrections	122,358	121,027	1,331
Emergency Services	2,747	2,747	0
Pollution Control	2,916	2,916	0
Animal Control	10,760	12,938	(2,178)
Planning	109,490	124,024	(14,534)
Housing & Community Dev.	185,119	159,067	26,052
Substance Abuse	2,000	1,680	320
Participant Recreation	276,037	269,301	6,736
Parks	402,421	364,837	37,584
Transfers	271,494	252,829	18,665
Debt Service	739,774	739,084	690
Capital Expenditures	424,590	423,022	1,568
Total General Fund	\$ 5,067,806	\$ 4,978,921	\$ 88,885

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
103 Fire Control	\$ 1,174,748	\$ 1,144,695	\$ 30,053
110 City Street	706,248	696,836	9,412
111 Street Improvement	2,062,531	268,872	1,793,659
113 Paths & Trails	0	0	0
115 Local Access St Improv	45,842	37,354	8,488
118 Civic Center	102,945	105,447	(2,502)
119 Transit	727,510	595,121	132,389
120 Library	17,000	16,931	69
121 Tourism	19,690	14,567	5,123
140 Contingency Reserve	0	0	0
150 Fire Equip Reserve	86,825	81,740	5,085
153 EMS Equip Reserve	0	0	0
170 CE Equipment Reserve	159,630	145,869	13,761
171 PW Equip Reserve	502,500	459,394	43,106
180 Drugs & Alcohol Com Res	0	0	0
181 Crime Prevention Res	0	0	0
190 SPRSA Pool	180,399	173,328	7,071
202 Goodlander LID	16,590	16,590	0
220 LI Guaranty	0	0	0
301 Capital Improvement	52,190	50,977	1,213
303 Fire Control Bldg Reserve	0	0	0
308 Civic Center Capital Project	5,000	5,000	0
310 CE Bldg/Prop Reserve	205,010	201,032	3,978
411 Water	4,040,577	2,943,596	1,096,981
415 Sewer	2,780,667	2,426,275	354,392
420 Solid Waste	816,395	810,345	6,050
461 Water Reserve	0	0	0
465 Sewer Reserve	100,000	100,000	0
470 Solid Waste Reserve	0	0	0
Total	\$ 18,870,103	\$ 15,272,890	\$ 3,597,213

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

d. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is recorded to the General fund.

e. Deposits

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

f. Investments See Investment Note No. 2

g. Capital Assets

Capital assets are long-lived assets of the city and 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 indefinitely. Sick leave accrued after January 1, 2000 will be accounted for such that employees may, upon retirement (which shall be defined as immediately receiving PERS or LEOFF payments), exercise an option to convert any of this unused sick leave at a rate equal to one (1) full day of the employee's monetary compensation for each four (4) full days accrued sick leave up to a maximum of 180 days converted to a maximum of 45 days pay.

Upon separation employees do not receive payment for unused sick leave.

i. Long-Term Debt See Note 5

j. Other Financing Sources or Uses

Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified as Other Financing Sources or Uses". Also included are contributions to the capital or enterprise funds and transfers to establish or reduce working capital in other funds.

k. Risk Management

The city is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a 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 pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2014 there are 223 members in the program.

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

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence deductible of \$ 100,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$ 101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,259,396 to cap the total claims paid by the program in any one policy term.

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

Equipment breakdown insurance is subject to a per-occurrence deductible of \$ 2,500, which may vary per member with the exception of Pumps & Motors which is \$ 10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$ 15,000 and is covered by the CIAW..

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-15 policy term. An endorsement was added to the 2013-14 Memorandum of Coverage extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014 were \$ 1,817,654.59.

I. 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 established by city council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

As of year end the following Reservations of Ending Cash and Investments were on hand:

Fund 220 LI Guaranty - \$ 46,256 to guarantee payment of Local Improvement District debt service.

NOTE 2 - INVESTMENTS

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

Investments are presented at cost plus earned interest.

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

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ 1,505,679
Money Market Account	596,321
FNMA/FFCB Govt Obligations	1,997,163
Certificates of Deposit	<u>1,617,844</u>
Total	<u>\$ 5,717,007</u>

NOTE 3 - PROPERTY TAX

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

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

The city's regular levy for the year 2014 was \$2.5315 per \$1,000 on an assessed valuation of \$563,871,437 for a total regular levy of \$1,427,444.

NOTE 4 - INTERFUND LOANS AND ADVANCES

As of December 31, 2014 the city had the following interfund loans:

<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>
001 General	461 Water Res	\$ 100,000		\$ 100,000	\$ 0
001 General	465 Sewer Res	<u>100,000</u>	<u> </u>	<u>100,000</u>	<u>0</u>
	TOTALS	\$ <u>200,000</u>	\$ <u>0</u>	\$ <u>200,000</u>	\$ <u>0</u>

NOTE 5 - LONG-TERM DEBT

The accompanying Schedule of Long Term Liabilities (09) provides a listing of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for 2014. The debt service requirements for future payment requirements, including interest, are as follows:

	<u>General Obligation Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
2015	457,076	587,059	1,044,135
2016	460,359	580,518	1,040,877
2017	461,619	586,191	1,047,810
2018	465,313	575,513	1,040,826
2019	462,325	569,453	1,031,778
2020 - 2024	1,311,382	1,472,675	2,784,057
2025 - 2029		562,557	562,557
2030 - 2034		373,300	373,300
2035 - 2036	<u> </u>	<u>5,983</u>	<u>5,983</u>
TOTALS	\$ <u>3,618,074</u>	\$ <u>5,313,249</u>	\$ <u>8,931,323</u>

NOTE 6 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the Public Employee Retirement System or the Law Enforcement Officers and Firefighters Retirement System administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

City of Selah
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	6/1/2012 LTGO Bond	12/1/2022	3,446,831	-	3,446,831	-
251.11	12/4/2014 GO Bonds	12/1/2022	-	3,120,000	-	3,120,000
259.11	Compensated Absences		195,241	1,361	-	196,602
263.81	1/3/2012 SIED Loan for St Improv.	6/1/2022	184,802	-	18,610	166,192
Total General Obligations:			3,826,874	3,121,361	3,465,441	3,482,794
Revenue Obligations						
263.82	11/17/1999 PWTF Loan	6/1/2019	894,015	-	149,003	745,013
259.12	Compensated Absences		80,770	7,508	-	88,278
263.82	8/30/2001 PWTF Loan	6/1/2021	1,355,904	-	169,488	1,186,416
263.82	7/14/2003 PWTF Loan	6/1/2023	682,979	-	68,298	614,681
263.82	9/15/2006 2005 DWSRF Loan	10/1/2026	1,094,569	-	84,198	1,010,372
263.82	3/20/2013 DWSRF DM12-952-093	10/1/1936	139,667	1,210,769	-	1,350,436
263.82	9/24/2014 DWSRF DM13-952-130	10/1/1937	-	38,727	-	38,727
Total Revenue Obligations:			4,247,904	1,257,004	470,986	5,033,922
Assessment Obligations						
253.11	6/15/2002 LID No. 24	7/1/2017	25,000	-	15,000	10,000
Total Assessment Obligations:			25,000	-	15,000	10,000
Total Liabilities:			8,099,778	4,378,365	3,951,427	8,526,716

City of Selah
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	
Drinking Water State Revolving Fund Cluster							
Office Of Water, Environmental Protection Agency (via WA State Dept of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM12-952-093	1,194,181	-	1,194,181	1,2
Office Of Water, Environmental Protection Agency (via WA State Dept of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-130	34,092	-	34,092	1,2
Total Drinking Water State Revolving Fund Cluster:				1,228,273	-	1,228,273	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	STPUS- 4710(001)	49,276	-	49,276	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	STPUS- 4709(XXX)	106,084	-	106,084	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	TAP-4703(004) LA-8418	18,940	-	18,940	1,2
Total Highway Planning and Construction Cluster:				174,300	-	174,300	
Total Federal Awards Expended:				1,402,573	-	1,402,573	

CITY OF SELAH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses cash basis accounting which is a departure from generally accepted accounting principles (GAAP). Revenues are recognized only when cash is received, other than accrued interest on investments, and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations, as required by state law.

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's portion, may be more than shown.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

**City of Selah
Yakima County
January 1, 2014 through December 31, 2014**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the City of Selah.

Finding ref number: 2014-001	Finding caption: The City did not have adequate internal controls to ensure compliance with federal procurement requirements.
Name, address, and telephone of auditee contact person: Dale Novobielski, Clerk Treasurer 115 W. Naches Selah, WA 98942	
Corrective action the auditee plans to take in response to the finding: <i>For future engineering firm selections the City will attempt to document to the satisfaction of the State Auditor the method of criteria establishment and implementation.</i>	
Anticipated date to complete the corrective action: 9/24/2015	

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