



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

City of Stevenson

Skamania County

For the period January 1, 2015 through December 31, 2015

Published September 26, 2016

Report No. 1017557





Washington State Auditor's Office

September 26, 2016

Mayor and City Council
City of Stevenson
Stevenson, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	4
Independent Auditor’s Report On Financial Statements	7
Financial Section.....	10
About The State Auditor’s Office.....	23

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

**City of Stevenson
Skamania County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Stevenson
Stevenson, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Stevenson, Skamania County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 14, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

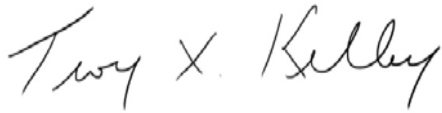
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 14, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Stevenson Skamania County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Stevenson
Stevenson, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Stevenson, Skamania County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Stevenson, for the year ended December 31, 2015, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Stevenson, as of December 31, 2015, 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.

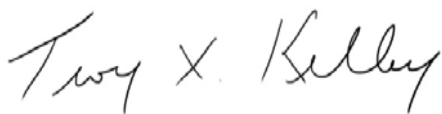
Other Matters

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 Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 14, 2016 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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 14, 2016

FINANCIAL SECTION

**City of Stevenson
Skamania County
January 1, 2015 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015

City of Stevenson
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 General Fund	100 Street Fund
Beginning Cash and Investments				
30810	Reserved	1,878,184	-	-
30880	Unreserved	1,865,569	1,062,132	133,107
388 & 588	Prior Period Adjustments, Net	6,406	6,406	-
Operating Revenues				
310	Taxes	1,431,438	732,701	270,146
320	Licenses and Permits	37,031	36,331	700
330	Intergovernmental Revenues	1,118,098	60,183	45,050
340	Charges for Goods and Services	1,045,621	40,203	-
350	Fines and Penalties	14,358	14,358	-
360	Miscellaneous Revenues	19,896	6,724	428
Total Operating Revenues:		<u>3,666,442</u>	<u>890,500</u>	<u>316,324</u>
Operating Expenditures				
510	General Government	243,335	243,335	-
520	Public Safety	197,157	197,157	-
530	Utilities	725,239	-	-
540	Transportation	272,889	2,231	198,103
550	Natural and Economic Environment	219,002	219,002	-
560	Social Services	6,347	6,082	265
570	Culture and Recreation	400,850	53,734	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>2,064,818</u>	<u>721,541</u>	<u>198,368</u>
Net Operating Increase (Decrease):		<u>1,601,623</u>	<u>168,959</u>	<u>117,956</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	48,998	16,598	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	333,414	33,414	-
Total Nonoperating Revenues:		<u>382,411</u>	<u>50,011</u>	<u>-</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	11,534	11,534	-
591-593	Debt Service	60,466	-	-
594-595	Capital Expenditures	2,712,616	3,081	91,071
597	Transfers-Out	300,000	-	100,000
Total Nonoperating Expenditures:		<u>3,084,616</u>	<u>14,615</u>	<u>191,071</u>
Net Increase (Decrease) in Cash and Investments:		<u>(1,100,581)</u>	<u>204,356</u>	<u>(73,115)</u>
Ending Cash and Investments				
5081000	Reserved	1,120,332	69,883	-
5088000	Unreserved	1,529,246	1,203,010	59,992
Total Ending Cash and Investments		<u>2,649,578</u>	<u>1,272,893</u>	<u>59,992</u>

The accompanying notes are an integral part of this statement.

103 Tourism Promo & Develop Fund	300 Capital Improvement Fund	302 Bridging Byways Trail Fund	305 Quiet Zone/CERB Project	306 Kanaka Creek Road Improvements	307 Cascade Avenue Improvements
586,224	190,569	284,189	259,146	-	135,197
-	-	-	-	-	-
-	-	-	-	-	-
410,649	17,942	-	-	-	-
-	-	-	-	-	-
-	-	95,704	189,754	82,389	645,018
-	-	-	-	-	-
-	-	-	-	-	-
2,435	321	-	-	-	-
<u>413,084</u>	<u>18,263</u>	<u>95,704</u>	<u>189,754</u>	<u>82,389</u>	<u>645,018</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
347,116	-	-	-	-	-
-	-	-	-	-	-
<u>347,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>65,968</u>	<u>18,263</u>	<u>95,704</u>	<u>189,754</u>	<u>82,389</u>	<u>645,018</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	200,000	50,000	50,000
-	-	-	<u>200,000</u>	<u>50,000</u>	<u>50,000</u>
-	-	-	-	-	-
-	-	-	-	-	-
133,996	-	344,401	718,320	103,026	936,847
-	200,000	-	-	-	-
<u>133,996</u>	<u>200,000</u>	<u>344,401</u>	<u>718,320</u>	<u>103,026</u>	<u>936,847</u>
(68,028)	(181,737)	(248,697)	(328,566)	29,363	(241,829)
518,196	8,831	35,492	-	-	-
-	-	-	(69,420)	29,362	(106,632)
<u>518,196</u>	<u>8,831</u>	<u>35,492</u>	<u>(69,420)</u>	<u>29,362</u>	<u>(106,632)</u>

The accompanying notes are an integral part of this statement.

400 Water/Sewer Fund	500 Equipment Service Fund
422,859	-
642,675	27,656
-	-
-	-
-	-
-	-
882,833	122,585
-	-
5,595	4,393
<u>888,428</u>	<u>126,978</u>
-	-
-	-
725,239	-
-	72,555
-	-
-	-
-	-
<u>725,239</u>	<u>72,555</u>
<u>163,189</u>	<u>54,423</u>
32,400	-
-	-
-	-
<u>32,400</u>	<u>-</u>
-	-
57,223	3,243
378,911	2,963
-	-
<u>436,134</u>	<u>6,206</u>
(240,545)	48,217
487,929	-
337,061	75,873
<u>824,990</u>	<u>75,873</u>

The accompanying notes are an integral part of this statement.

City of Stevenson
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	622 Trust Fund
		<u>33,368</u>	<u>33,368</u>
308	Beginning Cash and Investments	33,368	33,368
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	46	46
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	33,414	33,414
		<u>33,414</u>	<u>33,414</u>
Net Increase (Decrease) in Cash and Investments:		(33,368)	(33,368)
508	Ending Cash and Investments	-	-

The accompanying notes are an integral part of this statement.

City of Stevenson
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

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

The City of Stevenson 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, as more fully described in Note 1.B below. This financial reporting framework differs from generally accepted accounting principles (GAAP) in the following manner:

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

A. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The City of Stevenson uses one Enterprise Fund, the Water / Sewer Fund.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds on a cost reimbursement basis. The City of Stevenson uses one Internal Service Fund, the Equipment Service Fund.

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account for assets that the City holds for others in an agency capacity. The City has one Agency Fund, the Unemployment Reserve Trust Fund, which was discontinued in 2015 and transferred to the General Fund as a component of Reserved Fund Balance (cash and investments).

B. Basis of Accounting

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets and no recording of depreciation expense. Inventory is expensed when purchased.

C. Budgets

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

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

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

Appropriated amounts and actual expenditures for each fund were as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 - General Fund	\$ 2,044,923	\$ 736,156	\$ 1,308,767
100 - Street Fund	432,400	389,438	42,962
103 - Tourism Promotion	915,600	481,112	434,488
300 - Capital Improvements	204,200	200,000	4,200
302 - Bridging Byways Trail	757,050	344,401	412,649
305 - Quad Gates / Quite Zone	771,000	718,320	52,680
306 - Kanaka Creek Road Improvements	954,000	103,026	850,974
307 - Cascade Avenue Improvements	949,776	936,847	12,929
400 - Water / Sewer Fund	1,818,765	1,161,373	657,392
500 - Equipment Service Fund	108,040	78,761	29,279

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

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

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

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

G. Long-Term Debt

See Note 6, *Debt Service Requirements*.

H. Other Financing Sources or Uses

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

1. \$16,598 Agency Deposits received in the General Fund for items such as court remittances.
2. \$32,400 capital contributions for new construction systems development charges received in the Water / Sewer Fund.

I. Risk Management

The City of Stevenson is a member of an insurance pool, the Cities Insurance Association of Washington, as authorized by Chapter 39.34 RCW. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2015 there were 210 members in the pool.

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

The pool acquires liability insurance through their Administrator, Clear Risk Solutions, that is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. 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 portion of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$2,140,107.

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 that varies from \$2,500 to \$10,000 per occurrence.

Members contract to remain in the program for a minimum of one year. The Interlocal Agreement is then renewed automatically each year until terminated. To terminate, members must give notice before December 1 to terminate participation the following December 1.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees, but has contracted with a third-party administrator, Clear Risk Solutions, to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator by the 210 participating members under this arrangement for the year ended December 31, 2015, were \$627,702

The Unemployment Reserve in the General Fund (Fund 001) is responsible for paying unemployment claims. The Unemployment Reserve is deemed to have sufficient funds to pay expected claims so interfund transfers from insured funds have been suspended since 2010. The balance in the Unemployment Reserve will be reviewed annually.

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

No unemployment benefits were paid by the City of Stevenson in the past three fiscal years (fiscal years ended December 31 2013, 2014, and 2015).

J. Reserved Fund Balance

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

The following funds have Reserved Fund Balances (Ending Cash and Investments) as shown on the *Statement of Fund Resources and Uses Arising from Cash Transactions*:

- General Fund – Ending Cash and Investments Reserved Fund Balances include a Fire Truck Reserve, an Unemployment reserve, and custodial accounts.
- Tourism Promotion Fund – The primary source of revenue in the Tourism Promotion Fund is lodging tax receipts, which are reserved for tourism promotion activities per state law (RCW 67.28.1816).
- Capital Improvement Fund - The primary source of revenue in the Capital Projects Fund is the Real Estate Excise Tax (REET) which is reserved for certain types of capital improvements per state law (RCW 82.46.010).
- Bridging Byways Community Trail – The balance in this fund is from project specific Federal grants and transfers from other reserved sources.
- Water / Sewer Fund – The reserved portions of the Water / Sewer Fund are primarily from new connection charges (Systems Development Charges) that are required by state law to be used for new construction activities related to water and sewer plant capital improvements, and a debt service reserve account required by the USDA for the sewer outfall loan.
- Street Fund - The Street Fund receives motor vehicle fuel excise taxes (a restricted revenue source), but all such revenues are fully spent in the year of receipt so not shown as reserved at year end.

Note 2 – Property Taxes

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

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

The City's regular levy for fiscal year 2015 was \$2.123059 per \$1,000 of assessed value on a total assessed valuation of \$201,194,519 for a total levy of \$427,147.

Note 3 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at cost. Investments by type as of December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	\$845,000
Public Funds Certificates of Deposit	245,000
Government Bonds	<u>1,093,501</u>
Total:	<u>\$2,183,501</u>

Note 4 – Debt Service Requirements

The accompanying *Schedule of Long-Term Liabilities* (Schedule 09) provides more details of the City's outstanding debt and liabilities and summarizes the City's debt transactions for the year ended December 31, 2015.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	46,248	14,218	60,466
2017	46,930	13,420	60,350
2018	47,563	12,601	60,164
2019	45,111	11,763	56,874
2020	45,715	11,043	56,758
2021-2025	238,251	43,793	282,044
2026-2030	162,992	23,747	186,739
2031-2035	68,424	4,326	72,750
Total	<u>701,234</u>	<u>134,911</u>	<u>836,145</u>

Note 5 - Pension Plans

Substantially all of the City of Stevenson's employees participate in the statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of

Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

As of June 30, 2015 (the measurement date of the plans), the City of Stevenson's proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	Statewide Pension <u>Liability</u>	Stevenson Allocation <u>Percentage</u>	City of Stevenson <u>Liability</u>
PERS 1	5,230,930,000	0.005374%	281,110
PERS 2 & 3	3,573,057,000	0.006942%	<u>248,042</u>
Total			<u><u>529,152</u></u>

Note 6 – Negative Ending Cash and Investments

Fund 305 (Quiet Zone/CERB Project) and Fund 307 (Cascade Avenue Improvements) reported negative amounts of Ending Cash and Investments. The City has accounts receivables for these two funds that are not reflected in Ending Cash and Investments because the City is on the Cash Basis of Accounting as described in Note 1B. Cash and Investments in these funds will be restored to positive balances in 2016 as amounts due to these funds from other agencies are received.

Note 7 – Prior Period Adjustment

The City made a prior period adjustment of \$6,406 in the General Fund to account for the addition of custodial accounts held by the City of Stevenson. Custodial accounts were not previously included in the City's financial statements.

City of Stevenson
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	USDA Street Sweeper Loan	10/1/2018	11,610	-	2,735	8,875
Total General Obligation Debt/Liabilities:			11,610	-	2,735	8,875
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Vacation Accrual		30,710	1,886	-	32,596
259.12	Sick Leave Buyout		29,601	-	12,617	16,984
252.11	PWTF Loan, Water System Upgrade	6/1/2026	279,281	-	23,273	256,008
252.11	USDA RDA Loan, Sewer Outfall	12/10/2033	457,388	-	21,035	436,353
264.30	State Retirement System		-	529,152	-	529,152
Total Revenue and Other (non G.O.) Debt/Liabilities:			796,980	531,038	56,925	1,271,093
Total Liabilities:			808,590	531,038	59,660	1,279,968

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov