



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

City of Washougal

Clark County

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

Published August 1, 2016

Report No. 1017169





Washington State Auditor's Office

August 1, 2016

Mayor and City Council
City of Washougal
Washougal, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**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 Washougal
Clark County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Washougal
Washougal, 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 Washougal, Clark 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 July 26, 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

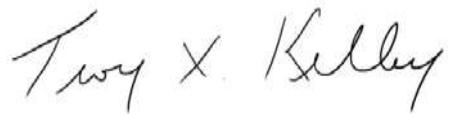
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 fluid and cursive, with "Troy" and "X." on the first line and "Kelley" on the second line.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

July 26, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Washougal Clark County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Washougal
Washougal, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Washougal, Clark 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 11.

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 Washougal 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 Washougal, 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 Washougal, 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

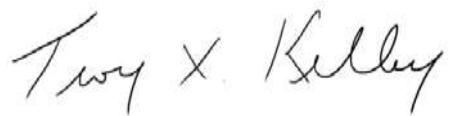
Supplementary and Other Information

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 July 26, 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is fluid and cursive, with "Troy" and "X." on the first line and "Kelley" on the second line.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

July 26, 2016

FINANCIAL SECTION

**City of Washougal
Clark County
January 1, 2015 through December 31, 2015**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund
Beginning Cash and Investments				
30810	Reserved	16,617,953	-	-
30880	Unreserved	12,160,240	3,520,319	3,474
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	9,565,882	8,406,654	200,651
320	Licenses and Permits	646,234	506,223	137,568
330	Intergovernmental Revenues	806,515	403,159	314,183
340	Charges for Goods and Services	12,376,889	1,619,464	10,152
350	Fines and Penalties	6,791	-	-
360	Miscellaneous Revenues	297,718	78,246	860
Total Operating Revenues:		<u>23,700,029</u>	<u>11,013,746</u>	<u>663,416</u>
Operating Expenditures				
510	General Government	3,058,242	2,212,189	-
520	Public Safety	6,240,903	6,228,448	-
530	Utilities	4,631,287	22,154	-
540	Transportation	1,390,335	109,443	941,925
550	Natural and Economic Environment	546,124	544,509	-
560	Social Services	10,721	10,721	-
570	Culture and Recreation	571,400	500,939	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>16,449,011</u>	<u>9,628,402</u>	<u>941,925</u>
Net Operating Increase (Decrease):		<u>7,251,018</u>	<u>1,385,343</u>	<u>(278,509)</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	489,534	372,387	-
391-393	Debt Proceeds	10,731,837	-	-
397	Transfers-In	1,614,994	-	339,000
Total Nonoperating Revenues:		<u>12,836,364</u>	<u>372,387</u>	<u>339,000</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	2,525,130	357,321	-
591-593	Debt Service	3,041,105	-	-
594-595	Capital Expenditures	10,409,041	4,019	-
597	Transfers-Out	1,614,994	1,101,000	-
Total Nonoperating Expenditures:		<u>17,590,269</u>	<u>1,462,340</u>	<u>-</u>
Net Increase (Decrease) in Cash and Investments:		<u>2,497,113</u>	<u>295,391</u>	<u>60,491</u>
Ending Cash and Investments				
5081000	Reserved	16,818,065	-	-
5088000	Unreserved	14,457,243	3,815,710	63,965
Total Ending Cash and Investments		<u>31,275,308</u>	<u>3,815,710</u>	<u>63,965</u>

The accompanying notes are an integral part of this statement.

103 Cemetery Fund	108 Hotel Motel Fund	118 PEG Fee Fund	125 EMS Restricted Revenue Fund	141 Drug Seizure Fund	211 Woodburn/JKL LID Fund
15,245	108,373	127,878	643,888	39,646	266,909
-	-	-	-	-	-
-	-	-	-	-	-
-	72,937	-	-	-	-
-	-	2,443	-	-	-
-	-	-	-	-	-
38,159	2,841	-	-	-	-
-	-	-	-	4,425	2,366
3,858	2,186	215	1,065	3,065	51,561
42,017	77,964	2,657	1,065	7,490	53,928
-	-	38	-	-	-
-	-	-	-	12,248	-
112,324	-	-	-	-	-
-	-	-	-	-	-
-	-	1,615	-	-	-
-	-	-	-	-	-
-	70,462	-	-	-	-
-	-	-	-	-	-
112,324	70,462	1,653	-	12,248	-
(70,307)	7,502	1,004	1,065	(4,758)	53,928
690	-	-	-	648	-
-	-	-	-	-	-
100,000	-	-	-	-	-
100,690	-	-	-	648	-
2,806	-	-	-	-	-
-	-	-	-	-	14,676
5,246	-	-	-	-	-
-	-	-	-	-	-
8,052	-	-	-	-	14,676
22,331	7,502	1,004	1,065	(4,110)	39,252
37,575	115,875	128,882	644,953	35,536	306,161
-	-	-	-	-	-
37,575	115,875	128,882	644,953	35,536	306,161

The accompanying notes are an integral part of this statement.

212 UTGO Debt Fund	213 Gifford Liedtke LID Fund	215 Downtown Revitalization Bond	304 1st Quarter % REET Fund	305 Park Development Fund	306 2nd Quarter % REET Fund
135,384	35,826	837,984	705,143	867,023	6,638
-	-	-	-	-	-
-	-	-	-	-	-
131,189	-	-	377,226	-	377,226
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	181,080	-
-	-	-	-	-	-
301	25,256	7,407	5,162	1,563	104
131,491	25,256	7,407	382,387	182,643	377,329
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	338,968
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	338,968
131,491	25,256	7,407	382,387	182,643	38,361
-	-	-	-	-	-
-	-	-	-	-	-
-	-	361,611	-	-	210,000
-	-	361,611	-	-	210,000
-	-	-	-	-	-
123,298	20,456	361,611	-	-	-
-	-	-	-	17,554	-
-	-	-	361,611	-	-
123,298	20,456	361,611	361,611	17,554	-
8,193	4,800	7,407	20,776	165,089	248,361
143,577	40,627	845,390	725,919	1,032,113	254,999
143,577	40,627	845,390	725,919	1,032,113	254,999

The accompanying notes are an integral part of this statement.

Transportation Development Fund	326 Fire Impact Fees Fund	350 Capital Projects Fund	351 Building Contingency Fund	Projects Transportation Fund	401 Water/Sewer Fund
628,074	172,807	-	-	-	11,717,797
-	-	204,343	254,203	482,178	6,433,945
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,806	61,768	-
433,848	56,333	-	-	-	8,659,942
-	-	-	-	-	-
1,382	336	338	444	11,274	91,465
435,230	56,669	338	9,250	73,043	8,751,408
-	-	-	-	-	845,541
-	-	-	-	-	207
-	-	-	-	-	3,757,407
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,603,155
435,230	56,669	338	9,250	73,043	4,148,253
50,269	-	-	62,400	-	334
-	-	-	-	-	10,731,837
-	-	-	42,000	280,000	151,647
50,269	-	-	104,400	280,000	10,883,818
-	-	-	-	-	2,145,269
-	-	-	-	-	2,521,064
11,174	-	-	62,212	429,597	9,850,617
-	-	-	-	-	735
11,174	-	-	62,212	429,597	14,517,685
474,325	56,669	338	51,438	(76,554)	514,386
1,102,399	229,476	-	-	-	10,853,147
-	-	204,681	305,640	405,624	7,812,982
1,102,399	229,476	204,681	305,640	405,624	18,666,129

The accompanying notes are an integral part of this statement.

403 Stormwater Fund	510 Employment Security Fund	520 Equipment Rental and Revolving Fund	704 Perpetual Care Fund
-	-	-	309,338
801,174	202,178	258,426	-
-	-	-	-
-	-	-	-
-	-	-	-
18,599	-	-	-
1,369,772	-	-	5,298
-	-	-	-
3,250	2,992	1,394	3,995
1,391,621	2,992	1,394	9,292
-	473	-	-
-	-	-	-
739,401	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
739,401	473	-	-
652,220	2,519	1,394	9,292
-	-	-	2,806
-	-	-	-
735	-	130,000	-
735	-	130,000	2,806
-	19,734	-	-
-	-	-	-
-	-	28,622	-
151,647	-	-	-
151,647	19,734	28,622	-
501,308	(17,215)	102,772	12,098
-	-	-	321,436
1,302,481	184,964	361,198	-
1,302,481	184,964	361,198	321,436

The accompanying notes are an integral part of this statement.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 1 – Summary of Significant Accounting Policies

The City of Washougal was incorporated in November 1908 and operates under the laws of the state of Washington applicable to a non-charter Code City Mayor-Council form of government. The City is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, health and social services and general administrative services. In addition, the City owns and operates water, sewer and sanitary systems.

The City of Washougal 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 on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAPP 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

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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 Project Funds

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

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Washougal 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 governmental and proprietary funds, except debt service funds. Debt service funds use a continuing appropriation, which is established when the original debt ordinance to adopt the debt amortization schedule was approved by council. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 follows:

FUND	Final Appropriated Amounts	Actual Expenditures	Variance
001 GENERAL FUND	\$ 11,529,807.00	\$ 11,090,741.00	\$ 439,066.00
101 CITY STREET FUND	1,058,104.61	941,925.00	116,179.61
103 CEMETERY SERVICES FUND	138,948.05	120,377.00	18,571.05
108 HOTEL/MOTEL TAX	75,500.00	70,462.00	5,038.00
118 PEG FEES	5,000.00	1,653.00	3,347.00
125 EMS RESTRICTED	376,283.00	-	376,283.00
141 DRUG SEIZURE FUND	23,400.00	12,248.00	11,152.00
212 UTGO REDEMPTION	122,500.00	123,298.00	(798.00)
215 DOWNTOWN REDEMPTION FUND	380,686.00	361,611.00	19,075.00
304 REAL ESTATE EXCISE	381,000.00	361,611.00	19,389.00
305 PARK IMPACT FEE	1,237,893.00	17,554.00	1,220,339.00
306 REAL ESTATE EXCISE	360,000.00	338,968.00	21,032.00
310 TRANSPORTATION IMPACT FEE	652,000.00	11,174.00	640,826.00
326 FIRE IMPACT FEE	-	-	-
350 CAPITAL PROJECT	-	-	-
351 FACILITIES CAPITAL PROJECT	662,000.00	62,212.00	599,788.00
353 TRANSPORTATION CAPITAL PROJECT	2,650,000.00	429,597.00	2,220,403.00
401 WATER/SEWER FUND	28,340,827.00	19,120,840.00	9,219,987.00
403 STORMWATER UTILITY	1,161,934.89	891,048.00	270,886.89
510 EMPLOYMENT SECURITY	30,000.00	20,207.00	9,793.00
520 ER&R FUND - ROLLING STOCK	26,000.00	28,622.00	(2,622.00)
704 PERPETUAL CARE	-	-	-
Total	\$ 49,211,883.55	\$ 34,004,148.00	\$ 15,207,735.55

The finance director is authorized to transfer budgeted amounts between departments within any fund or 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 Council.

D. Cash and Investments.

See Deposit and Investments, Note 3.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

E. Capital Assets

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

F. Compensated Absences

Vacation leave for general employees and police officers, may be accumulated up to 45 days and is payable upon separation from service or retirement.

Sick leave may be accumulated up to 960 hours for general employees and police officers. Upon separation or retirement employees with five years or more of service are eligible for the following:

- Non represented employees hired prior to July 6, 2010 will receive a 25% payout of accrued balance.
- Police hired prior to December 31, 2010 receive a 25% payout of accrued balance.
- 307-W union receives 25% of accrued hours upon leaving employment.

All sick and vacation payouts are calculated at the employees wage rate at the time of separation. The total outstanding liability for compensated absences are reported on the Schedule of Liabilities (Schedule 09).

G. Long-Term Debt

See Note 6, Debt Service Requirements.

H. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consists of sales of capital assets, insurance recovery, agency disbursements, intergovernmental services, debt redemption and transfers.

I. Risk Management

The City of Washougal is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

CITY OF WASHOUGAL

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December 31, 2015

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

Self-Insurance Fund

The City is self-insured for claims regarding unemployment insurance. Resources set aside as of financial statement presentation date for unemployment claims are approximately \$184,964.

J. Reserve 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 due to internal commitments established by ordinance of the City Council. When expenditures that

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following:

- Cemetery Fund- To operate the City's Cemetery, reserved amount \$37,575.
- 1st Quarter REET Fund – For use on the City's Capital Improvement plan, reserved amount \$725,919.
- Park Development Fund – For use on the City's Park Improvement plan, reserved amount \$1,032,113.
- 2nd Quarter REET Fund – For use on the City's Capital Improvement plan, reserved amount \$254,999.
- Hotel Motel Fund – For use on City tourism as approved by the Lodging Tax Committee, reserved amount \$115,875.
- Transportation Development Fund – For use on the Transportation Improvement plan, reserved \$1,102,399.
- PEG Fees – To bring local government to citizens through media such as television, reserved amount \$128,882.
- EMS Restricted Revenue – For use in the EMS services, reserved amount \$644,953.
- Fire Impact Fees – For use in future capital facility needs, reserved amount \$229,476.
- Drug Seizure Fund – For use in a narcotics program, reserved amount \$35,536.
- Woodburn/JKL Fund – For the payment of the local improvement assessment, reserved amount \$306,161.
- UTGO Debt Fund – For the payment of the General Obligation bond, reserved amount \$143,577.
- Gifford Liedtke Fund – For the payment of the local improvement assessment, reserved amount \$40,627.
- Downtown Revitalization Bond Fund – For the payment of the General Obligation bond, reserved amount \$845,390.
- Water/Sewer Utility Fund – For the bond funds issued for capital improvements, reserved amount \$10,853,147.
- Perpetual Care Fund – For the future care of the cemetery, reserved amount \$321,436.

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

Note 2 – Compliance and Accountability

The following are the non-debt related funds which exceeded their appropriation during the fiscal year ended December 31, 2015.

Fund	Amount	Reason
520 – ER&R	\$2,622	IT upgrades were slightly more than budgeted for.

Note 3 – Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

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

Long term investments are presented at original cost while short term investments are presented at fair value.

Investments by type at December 31, 2015 are as follows:

Investment	Type of Investment	Balance as invested by City
US Government Securities	Long Term	\$2,003,066.00
Local Government Investment Pool	Short Term	\$12,885,888.16
Money Market Account	Short Term	\$16,855,174.41
	Total	\$31,744,128.57

Note 4 – Property Taxes

The 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. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City's regular levy for 2015 was \$2.76 per \$1,000 on an assessed valuation of 1,458,273,421 for a total regular levy of \$4,022,520.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

In 2015, the City also levied \$.45 per \$1,000 for emergency medical services for an additional levy of \$658,665.

In 2015, the City also levied \$.09 per \$1,000 for public safety bonds for a total additional levy of \$130,000.

Note 5 – Interfund Loans and Advances

The following table displays interfund loan activity during 2015:

Borrowing Fund	Lending Fund	Balance 1/1/15	New Loans	Repayments	Balance 12/31/2015
Cemetery Fund	Perpetual Care Fund	\$ 4,000.00	\$ -	\$ 1,000.00	\$ 3,000.00
Cemetery Fund	Perpetual Care Fund	\$ 14,433.00	\$ -	\$ 1,788.42	\$ 12,644.58
Water/Sewer Fund	Downtown Guarantee Bond Fund	\$ 200,000.00	\$ -	\$ 50,000.00	\$ 150,000.00
		\$ 218,433.00	\$ -	\$ 52,788.42	\$ 165,644.58

Note 6 – Debt Service Requirements

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

The debt service requirements for general obligation bonds, revenue bonds, public works trust fund loans, assessment debt, and real estate purchase including are as follows:

	Principal	Interest	Total
2016	\$ 1,843,411.11	\$ 1,410,154.27	\$ 3,253,565.38
2017	1,909,784.58	1,411,068.26	3,320,852.84
2018	1,958,112.55	1,368,168.58	3,326,281.13
2019	1,996,660.33	1,312,903.12	3,309,563.45
2020	2,190,442.50	1,255,279.23	3,445,721.73
2021-2025	11,468,289.95	5,077,975.50	16,546,265.45
2026-2030	10,528,599.91	2,873,914.05	13,402,513.96
2031-2035	4,766,642.53	894,248.02	5,660,890.55
2036-2041	2,265,000.00	278,800.00	2,543,800.00
Totals	\$ 38,926,943.46	\$ 15,882,511.03	\$ 54,809,454.49

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

Debt Refunding

The City issued \$2,095,000 of revenue refunding bonds in conjunction with new revenue bond issuance of \$10,030,000 to retire \$2,095,000 of existing 2005 series bonds. This refunding was undertaken to reduce total debt service payments over the next four years by \$114,566. The financial statements reflect other financing sources of \$2,095,000 and other financing uses of \$2,095,000 pertaining to this transaction.

Land Purchase

The City of Washougal and the City of Camas jointly purchased land from the Port for future water rights. The City of Washougal was designated the administrator of the purchase contract, thereby making annual payments and invoicing Camas for their portion. The City of Camas will own 60% of the water rights and be responsible for that portion of the debt payment. The City of Washougal is responsible for 40% of the debt payment. Purchase price was \$640,915.10 with the term being for ten years and interest at 3.2%. This liability is included on the City's Schedule 09.

Note 7 – Pension Plans

- A. Substantially all of the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems(DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS), and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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
PO Box 48380
Olympia, WA 98504-8380

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

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

At June 30, 2015, the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.033455%	\$1,750,007.63
PERS 2 and 3	.043309%	\$1,547,455.26
LEOFF 1	.006385%	(\$76,953.36)
LEOFF 2	.055235%	(\$567,705.33)

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could change by statute.

Note 8 – Joint Ventures and Related Parties

CWEDA

In 2011 The City of Washougal together with the City of Camas, The port of Camas-Washougal, Downtown Camas Association, Columbia River Economic Development Council, Camas-Washougal Chamber of Commerce, Southwest Washington Work Force Development Council and Innovate Washington formed Camas-Washougal Economic Development Association (CWEDA). This quasi-municipal entity was created so the leadership from forming organizations are able to work together for the economic health of the entire area. The primary mission is to support existing business and to bring new businesses and jobs into the local area. The City of Washougal contributed \$57,500 during 2015 to this organization.

CITY OF WASHOUGAL

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

The board of directors for this organization are:

Bill Ward, Port Camas-Washougal Commissioner
Sean Guard, Washougal Mayor
Scott Higgins, Camas Mayor
David Ripp, Camas-Washougal Port Executive Director
Brent Boger, Washougal City Council
Steve Hogan, Camas City Council
David Scott, Washougal City Administrator
Pete Capell, Camas City Administrator

CWEDA Board Meetings are held 4th Thursday of each month from 1:30-3:00 p.m. in the CWEDA Board Room located at 1700 Main Street Washougal, WA 98671.

Camas/Washougal Fire Department

Since May of 2014, the City of Washougal and the City of Camas have combined fire services. The City of Camas assumed responsibility of managing the fire services with the City of Washougal paying a monthly fee for fire services to the City of Camas.

The calculation for what the City of Washougal pays for fire services is based on the total percentage when adding together the following percentages: 50% property tax (structural assessed value), 25% population, and 25% call volume. The initial annual charge is based on the current year budget using the percentages from the last full year of data (a two year lag) and then the information is “trued up” by the end of June the following year. In 2015, the City of Washougal paid approximately \$221,586 a month totaling \$2,659,554 for the year. The total monthly payment for these services in 2016 is \$232,689 for an estimated yearly cost of \$2,792,268.

Note 9 – Significant commitments or obligations

OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, and dental. Three retirees received benefits during the year and \$32,431.54.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Construction Commitments

The City has active construction projects as of December 31, 2015. At year ending December 31, 2015 the City's commitments with contractors were as follows:

Project	Spent to Date	Remaining Commitment	Funding Source
Community Center Kitchen	\$ 15,959.83	\$ 223,178.07	Local and CDBG grant funds
Community Center HVAC	17,314.71	273,612.39	State Grant
Well No. 1 Replacement	36,514.65	120,885.35	Utility Revenues
FCS Stormwater Rate Study	1,005.00	21,765.00	Utility Revenues
Active Traveler Info Sign	11,174.44	35,824.32	CMAQ grant
WWTP	10,564,659.03	5,039,785.74	Revenue Bonds
Columbia River Trail	9,186.03	112,352.97	Local
Steamboat Landing	-	26,016.00	Local and insurance recovery
General Sewer Plan	76,542.21	77,710.79	Utility Revenues
Evergreen Way Sidewalk	16,475.67	6,947.33	State Grant
Reservoir #6 and Booster	82,669.82	39,900.53	Revenue Bonds
32nd and Evergreen	162,891.59	19,284.94	WSDOT grant funds
WRR H St Sidewalk Repair	-	5,840.00	Local
Stormwater LID Code update	3,535.00	33,332.00	Utility Revenues
Water System Amendment	7,290.00	710.00	Utility Revenues
Steigerwald Barn Demo	-	21,680.00	Local
Facilities Update	-	49,995.00	Local
2015 Micro Seal	141,303.91	7,437.05	Local
Evergreen Sidewalks	88,316.40	25,296.60	State Grant
Jemtegaard Pedestrian Trail	64,048.31	42,951.69	WSDOT grant funds
Total	\$ 11,298,886.60	\$ 6,184,505.77	

Each project's funding source is listed next to the project. The City tries to fund projects through grants as much as possible. When projects are necessary and grants are not awarded, the City utilizes local funds if available as determined through budget process.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
263.91	Line of Credit - Bank of America	3/31/2015	48,404	-	48,404	-
251.12	GO Bonds refunded voted 9/12	12/1/2022	820,000	-	105,000	715,000
251.11	GO Bonds non-voted 11/06	12/1/2016	475,000	-	235,000	240,000
251.11	GO Bonds refunded non-voted 12/14	12/1/2026	2,925,000	-	10,000	2,915,000
263.81	Public Works Trust Fund Loan 06/05	7/1/2025	480,114	-	43,647	436,467
263.81	Public Works Trust Fund Loan 10/12	6/1/2031	553,537	-	32,561	520,976
263.81	Public Works Trust Fund Loan 10/12	6/1/2031	239,387	-	14,082	225,305
263.81	Public Works Trust Fund Loan 06/06	7/1/2026	1,151,737	-	95,978	1,055,759
263.81	Publc Works Trust Fund Loan 06/08	7/1/2028	1,443,909	-	103,136	1,340,773
263.98	Real Estate Purchase Agreement with Port of Camas/Washougal	7/1/2025	-	640,915	23,252	617,663
263.93	Net Pension Liability		-	3,297,463	-	3,297,463
263.98	Compensated absences General and Street Funds		466,483	47,609	-	514,092
263.98	Compensated absences Water/Sewer Funds		151,692	-	25,019	126,673
263.98	Compensated Absences Stormwater Fund		35,466	1,809	-	37,275
Total General Obligations:			8,790,729	3,987,796	736,079	12,042,446
Revenue Obligations						
252.11	Revenue Bonds non-voted 06/05	9/1/2020	2,650,000	-	2,565,000	85,000
252.11	Revenue Bonds non-voted 05/11	9/1/2031	15,840,000	-	260,000	15,580,000
252.11	Revenue Bonds non-voted 12/14	9/1/2034	4,985,000	-	125,000	4,860,000
252.11	Revenue Bonds non-voted 12/15	9/1/2040	-	10,030,000	-	10,030,000
Total Revenue Obligations:			23,475,000	10,030,000	2,950,000	30,555,000
Assessment Obligations						
253.11	Woodburn Hill Local Improvement District 09/04	2/15/2020	95,000	-	-	95,000
253.11	Gifford Liedtke Local Improvement District 09/04	10/1/2021	215,000	-	10,000	205,000
Total Assessment Obligations:			310,000	-	10,000	300,000
Total Liabilities:			32,575,729	14,017,796	3,696,079	42,897,446

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