



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report City of Washougal

Clark County

For the period January 1, 2013 through December 31, 2014

Published October 19, 2015

Report No. 1015372





Washington State Auditor's Office

October 19, 2015

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 blue ink that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING 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, 2013 through December 31, 2014**

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 years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 13, 2015. As described in Note 10 to the financial statements, the City's 2012 financial statements have been restated to correct the classification of certain fund types and the designation of cash and investments balances.

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 audits 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 blue ink that reads "Jan M. Jutte".

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

October 13, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Washougal Clark County January 1, 2013 through December 31, 2014

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 years ended December 31, 2014 and 2013, 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 audits. We conducted our audits 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 years ended December 31, 2014 and 2013, 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, 2014 and 2013, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis Regarding Material Reclassifications of Items in Previously Issued Financial Statements

As described in Note 10 to the financial statements, the City's 2012 financial statements have been restated to correct the classification of certain fund types and the designation of cash and investments balances. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are 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 October 13, 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

October 13, 2015

FINANCIAL SECTION

**City of Washougal
Clark County
January 1, 2013 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2014 and 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Liabilities – 2013

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

| | | Total for All Funds (Memo Only) | 001 GENERAL FUND | 101 STREET FUND |
|---|-------------------------------------|--|-----------------------------|----------------------------|
| Beginning Cash and Investments | | | | |
| 30810 | Reserved | 13,203,183 | - | - |
| 30880 | Unreserved | 9,357,790 | 3,296,229 | - |
| 388 & 588 | Prior Period Adjustments, Net | - | - | - |
| Operating Revenues | | | | |
| 310 | Taxes | 8,945,772 | 7,890,951 | 202,349 |
| 320 | Licenses and Permits | 661,925 | 504,117 | 131,199 |
| 330 | Intergovernmental Revenues | 1,193,942 | 371,810 | 300,744 |
| 340 | Charges for Goods and Services | 11,145,038 | 1,398,385 | 8,587 |
| 350 | Fines and Penalties | 1,449 | 134 | - |
| 360 | Miscellaneous Revenues | 276,005 | 80,186 | 6,564 |
| Total Operating Revenues: | | <u>22,224,131</u> | <u>10,245,584</u> | <u>649,442</u> |
| Operating Expenditures | | | | |
| 510 | General Government | 2,822,683 | 2,140,509 | - |
| 520 | Public Safety | 5,918,941 | 5,904,661 | - |
| 530 | Utilities | 4,454,562 | 13,485 | - |
| 540 | Transportation | 1,303,327 | 115,004 | 977,118 |
| 550 | Natural and Economic Environment | 536,886 | 536,886 | - |
| 560 | Social Services | 10,494 | 10,494 | - |
| 570 | Culture and Recreation | 573,644 | 521,551 | - |
| Total Operating Expenditures: | | <u>15,620,537</u> | <u>9,242,591</u> | <u>977,118</u> |
| Net Operating Increase (Decrease): | | <u>6,603,594</u> | <u>1,002,994</u> | <u>(327,676)</u> |
| Nonoperating Revenues | | | | |
| 370-380, 395 & 398 | Other Financing Sources | 392,228 | 319,283 | - |
| 391-393 | Debt Proceeds | 8,870,472 | - | - |
| 397 | Transfers-In | 1,291,898 | 31,272 | 331,150 |
| Total Nonoperating Revenues: | | <u>10,554,598</u> | <u>350,555</u> | <u>331,150</u> |
| Nonoperating Expenditures | | | | |
| 580, 596 & 599 | Other Financing Uses | 3,311,632 | 313,406 | - |
| 591-593 | Debt Service | 2,885,666 | - | - |
| 594-595 | Capital Expenditures | 3,451,774 | 48,510 | - |
| 597 | Transfers-Out | 1,291,898 | 767,543 | - |
| Total Nonoperating Expenditures: | | <u>10,940,970</u> | <u>1,129,459</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Investments: | | <u>6,217,222</u> | <u>224,090</u> | <u>3,474</u> |
| Ending Cash and Investments | | | | |
| 50810 | Reserved | 16,617,954 | - | - |
| 50880 | Unreserved | 12,160,241 | 3,520,319 | 3,474 |

The accompanying notes are an integral part of this statement.

| 103 CEMETERY FUND | 108 HOTEL MOTEL FUND | 118 PEG FEES FUND | 125 EMS RESTRICTED REVENUE FUND | 141 DRUG SEIZURE FUND | 211 WOODBURN/JKL LID FUND |
|-------------------|----------------------|-------------------|---------------------------------|-----------------------|---------------------------|
| 3,723 | 102,520 | 101,143 | 643,242 | 33,616 | 252,956 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 57,855 | - | - | - | - |
| - | - | 26,610 | - | - | - |
| - | - | - | - | - | - |
| 53,342 | - | - | - | - | - |
| - | - | - | - | - | 1,297 |
| 4,268 | 90 | 125 | 646 | 20,311 | 83,196 |
| <hr/> 57,611 | <hr/> 57,945 | <hr/> 26,734 | <hr/> 646 | <hr/> 20,311 | <hr/> 84,493 |
| - | - | - | - | - | - |
| - | - | - | - | 14,280 | - |
| 119,282 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 52,092 | - | - | - | - |
| <hr/> 119,282 | <hr/> 52,092 | <hr/> - | <hr/> - | <hr/> 14,280 | <hr/> - |
| <hr/> (61,671) | <hr/> 5,853 | <hr/> 26,734 | <hr/> 646 | <hr/> 6,031 | <hr/> 84,493 |
| 2,644 | - | - | - | - | - |
| - | - | - | - | - | - |
| 75,000 | - | - | - | - | - |
| <hr/> 77,644 | <hr/> - | <hr/> - | <hr/> - | <hr/> - | <hr/> - |
| 2,807 | - | - | - | - | - |
| - | - | - | - | - | 70,540 |
| 1,644 | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,451 | - | - | - | - | 70,540 |
| <hr/> 11,522 | <hr/> 5,853 | <hr/> 26,734 | <hr/> 646 | <hr/> 6,031 | <hr/> 13,953 |
| 15,245 | 108,373 | 127,878 | 643,888 | 39,646 | 266,909 |
| - | - | - | - | - | - |

The accompanying notes are an integral part of this statement.

| 212 UTGO DEBT FUND | 213 GIFFORD LIEDTKE LID FUND | 215 DOWNTOWN BOND GUARANTEE FUND | 304 1st QUARTER % REET FUND | 305 PARK DEVELOPMENT FUND | 306 2nd QUARTER % REET FUND |
|--------------------|------------------------------|----------------------------------|-----------------------------|---------------------------|-----------------------------|
| 40,104 | 72,859 | 782,926 | 600,098 | 748,781 | 114,376 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 208,908 | - | - | 292,854 | - | 292,854 |
| - | - | - | - | - | - |
| - | - | - | - | 8,100 | - |
| - | - | - | - | 153,830 | - |
| - | 18 | - | - | - | - |
| 194 | 20,137 | 4,056 | 1,731 | 721 | 152 |
| 209,102 | 20,155 | 4,056 | 294,585 | 162,651 | 293,006 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 211,205 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 209,102 | 20,155 | 4,056 | 294,585 | 162,651 | 211,205 |
| - | - | 50,263 | - | - | - |
| - | - | 3,278,422 | - | - | - |
| - | - | 379,080 | - | - | - |
| - | - | 3,707,765 | - | - | - |
| - | - | 2,925,000 | - | - | - |
| 113,823 | 57,188 | 731,762 | - | - | - |
| - | - | - | - | 44,409 | - |
| - | - | - | 189,540 | - | 189,540 |
| 113,823 | 57,188 | 3,656,762 | 189,540 | 44,409 | 189,540 |
| 95,280 | (37,033) | 55,059 | 105,045 | 118,242 | (107,739) |
| 135,384 | 35,826 | 837,984 | 705,143 | 867,023 | 6,638 |
| - | - | - | - | - | - |

The accompanying notes are an integral part of this statement.

| 310 TRANSPORTATIO N DEVELOPMENT FUND | 326 FIRE IMPACT FEES FUND | 350 CAPITAL PROJECTS FUND | 351 BUILDING CONTINGENCY FUND | 353 CAPITAL PROJECTS TRANSPORTATIO N FUND | 401 WATER/SEWER UTILITY FUND |
|---|------------------------------|------------------------------|-------------------------------------|--|------------------------------------|
| 371,732 | 126,238 | - | - | - | 8,912,327 |
| - | - | 204,138 | 74,277 | 683,647 | 4,284,329 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 161,603 | 252,806 | - |
| 255,820 | 46,408 | - | - | - | 8,052,902 |
| - | - | - | - | - | - |
| 522 | 161 | 205 | 156 | 529 | 47,545 |
| 256,342 | 46,569 | 205 | 161,760 | 253,335 | 8,100,447 |
| - | - | - | - | - | 681,652 |
| - | - | - | - | - | - |
| - | - | - | - | - | 3,502,119 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 256,342 | 46,569 | 205 | 161,760 | 253,335 | 3,916,676 |
| - | - | - | - | - | 5,887 |
| - | - | - | - | - | 5,592,050 |
| - | - | - | 30,000 | 30,000 | 172,816 |
| - | - | - | 30,000 | 30,000 | 5,770,753 |
| - | - | - | - | - | 50,335 |
| - | - | - | - | - | 1,912,354 |
| - | - | - | 11,834 | 484,804 | 2,769,075 |
| - | - | - | - | - | 579 |
| - | - | - | 11,834 | 484,804 | 4,732,343 |
| 256,342 | 46,569 | 205 | 179,926 | (201,469) | 4,955,086 |
| 628,074 | 172,807 | - | - | - | 11,717,797 |
| - | - | 204,343 | 254,203 | 482,178 | 6,433,945 |

The accompanying notes are an integral part of this statement.

| 403 STORMWATER UTILITY FUND | 404 SOLID WASTE FUND | 510 EMPLOYMENT SECURITY FUND | 520 ER&R FUND | 704 PERPETUAL CARE FUND |
|--|---------------------------------|---|--------------------------|------------------------------------|
| - | - | - | - | 296,541 |
| 484,159 | 30,716 | 220,857 | 79,437 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 98,879 | - | - | - | - |
| 1,165,430 | 556 | - | - | 9,777 |
| - | - | - | - | - |
| 2,230 | - | 284 | 139 | 1,857 |
| <hr/> 1,266,539 | <hr/> 556 | <hr/> 284 | <hr/> 139 | <hr/> 11,634 |
| - | - | 523 | - | - |
| 819,676 | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <hr/> 819,676 | <hr/> 556 | <hr/> 523 | <hr/> 139 | <hr/> 11,634 |
| <hr/> 446,863 | <hr/> 556 | <hr/> (239) | <hr/> 139 | <hr/> 11,634 |
| - | - | - | 11,344 | 2,807 |
| 579 | - | - | 242,000 | - |
| <hr/> 579 | <hr/> - | <hr/> - | <hr/> 253,344 | <hr/> 2,807 |
| - | - | 18,440 | - | 1,644 |
| 17,003 | - | - | 74,494 | - |
| 113,424 | 31,272 | - | - | - |
| <hr/> 130,427 | <hr/> 31,272 | <hr/> 18,440 | <hr/> 74,494 | <hr/> 1,644 |
| <hr/> 317,015 | <hr/> (30,716) | <hr/> (18,679) | <hr/> 178,989 | <hr/> 12,797 |
| - | - | - | - | 309,338 |
| 801,174 | - | 202,178 | 258,426 | - |

The accompanying notes are an integral part of this statement.

City of Washougal
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

| | | Total for All Funds (Memo Only) | 001 General Fund | 101 Street Fund |
|---|----------------------------------|--|-------------------------|-------------------------|
| Beginning Cash and Investments | | | | |
| 30810 | Reserved | 13,979,527 | - | - |
| 30880 | Unreserved | 8,190,925 | 3,008,472 | 294,396 |
| 388 & 588 | Prior Period Adjustments, Net | - | - | - |
| Operating Revenues | | | | |
| 310 | Taxes | 8,586,961 | 7,759,472 | 192,086 |
| 320 | Licenses & Permits | 646,054 | 483,901 | 127,534 |
| 330 | Intergovernmental Revenues | 865,763 | 343,955 | 296,449 |
| 340 | Charges for Goods and Services | 10,492,525 | 1,303,621 | 6,749 |
| 350 | Fines & Penalties | 2,569 | - | - |
| 360 | Miscellaneous Revenues | 247,451 | 38,656 | 12,847 |
| Total Operating Revenues: | | <u>20,841,324</u> | <u>9,929,606</u> | <u>635,664</u> |
| Operating Expenditures | | | | |
| 510 | General Government | 2,629,695 | 2,100,585 | - |
| 520 | Public Safety | 5,377,640 | 5,363,094 | - |
| 530 | Utilities | 4,659,607 | - | - |
| 540 | Transportation | 1,217,417 | 133,577 | 943,032 |
| 550 | Natural and Economic Environment | 550,632 | 550,050 | - |
| 560 | Social Services | 10,077 | 10,077 | - |
| 570 | Culture And Recreation | 526,455 | 492,934 | - |
| Total Operating Expenditures: | | <u>14,971,522</u> | <u>8,650,317</u> | <u>943,032</u> |
| Net Operating Increase (Decrease): | | <u>5,869,801</u> | <u>1,279,289</u> | <u>(307,368)</u> |
| Nonoperating Revenues | | | | |
| 370-380, 395 & 398 | Other Financing Sources | 763,450 | 393,423 | 285 |
| 391-393 | Debt Proceeds | 519,537 | - | - |
| 397 | Transfers-In | 1,318,134 | - | 12,687 |
| Total Nonoperating Revenues: | | <u>2,601,121</u> | <u>393,423</u> | <u>12,972</u> |
| Nonoperating Expenditures | | | | |
| 580, 596 & 599 | Other Financing Uses | 653,475 | 367,552 | - |
| 591-593 | Debt Service | 2,190,052 | - | - |
| 594-595 | Capital Expenditures | 3,918,741 | 258,090 | - |
| 597 | Transfers-Out | 1,318,134 | 759,314 | - |
| Total Nonoperating Expenditures: | | <u>8,080,401</u> | <u>1,384,956</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Investments: | | <u>390,520</u> | <u>287,756</u> | <u>(294,396)</u> |
| Ending Cash and Investments | | | | |
| 50810 | Reserved | 13,203,183 | - | - |
| 50880 | Unreserved | 9,357,789 | 3,296,228 | - |

The accompanying notes are an integral part of this statement.

| 103 Cemetery Fund | 108 Hotel Motel Fund | 118 PEG Fees Fund | 125 EMS Restricted Revenue | 141 Drug Seizure Fund | 211 Woodburn/JKL LID Fund |
|-------------------|----------------------|-------------------|----------------------------|-----------------------|---------------------------|
| 6,849 | 85,764 | 66,991 | 642,283 | 30,224 | 241,410 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 50,170 | - | - | - | - |
| - | - | 34,619 | - | - | - |
| - | - | - | - | 756 | - |
| 42,473 | - | - | - | - | - |
| - | - | - | - | - | 2,485 |
| 17,763 | 107 | 115 | 959 | 25,538 | 73,190 |
| 60,236 | 50,277 | 34,735 | 959 | 26,294 | 75,675 |
| - | - | - | - | - | - |
| - | - | - | - | 14,192 | - |
| 117,488 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 582 | - | - | - |
| - | - | - | - | - | - |
| - | 33,520 | - | - | - | - |
| 117,488 | 33,520 | 582 | - | 14,192 | - |
| (57,252) | 16,757 | 34,153 | 959 | 12,102 | 75,675 |
| 17,022 | - | - | - | - | - |
| - | - | - | - | - | - |
| 71,756 | - | - | - | - | - |
| 88,778 | - | - | - | - | - |
| 1,000 | - | - | - | - | - |
| - | - | - | - | - | 64,129 |
| 33,652 | - | - | - | 8,710 | - |
| - | - | - | - | - | - |
| 34,652 | - | - | - | 8,710 | 64,129 |
| (3,126) | 16,757 | 34,153 | 959 | 3,392 | 11,546 |
| 3,723 | 102,520 | 101,143 | 643,242 | 33,616 | 252,956 |
| - | - | - | - | - | - |

The accompanying notes are an integral part of this statement.

| 212 UTGO Debt Fund | 213 Gifford Liedtke LID Fund | 215 Downtown Bond Guarantee | 304 1st Quarter % REET Fund | 305 Park Development Fund | 306 2nd Quarter % REET Fund |
|---------------------------|-------------------------------------|------------------------------------|------------------------------------|----------------------------------|------------------------------------|
| 26,494 | 57,550 | 732,000 | 520,112 | 551,954 | 251,552 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 123,421 | - | - | 230,906 | - | 230,906 |
| - | - | - | - | - | - |
| - | - | - | - | 68,580 | - |
| - | - | - | - | 195,520 | - |
| - | 85 | - | - | - | - |
| 83 | 27,412 | 3,109 | 2,003 | 1,437 | 414 |
| 123,504 | 27,496 | 3,109 | 232,909 | 265,537 | 231,320 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 140,808 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 123,504 | 27,496 | 3,109 | 232,909 | 265,537 | 140,808 |
| 123,504 | 27,496 | 3,109 | 232,909 | 265,537 | 90,512 |
| - | - | 50,495 | - | - | - |
| - | - | - | - | - | - |
| - | - | 374,356 | - | - | - |
| - | - | 424,851 | - | - | - |
| - | - | - | - | - | - |
| 109,894 | 12,188 | 377,035 | - | - | - |
| - | - | - | 6,254 | 68,710 | - |
| - | - | - | 146,669 | - | 227,687 |
| 109,894 | 12,188 | 377,035 | 152,923 | 68,710 | 227,687 |
| 13,610 | 15,308 | 50,925 | 79,986 | 196,827 | (137,175) |
| 40,104 | 72,859 | 782,926 | 600,098 | 748,781 | 114,376 |
| - | - | - | - | - | - |

The accompanying notes are an integral part of this statement.

| 310 Transportation Development Fund | 326 Fire Impact Fees Fund | 350 Capital Projects Fund | 351 Building Contingency Fund | 352 EECBG Fund | 353 Capital Projects Transportation Fund |
|--|--------------------------------------|--------------------------------------|--|-----------------------|---|
| 107,175 | 66,407 | - | - | - | - |
| - | - | 203,859 | 505,377 | - | 733,662 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 101,023 |
| 264,279 | 59,722 | - | - | - | - |
| - | - | - | - | - | - |
| 278 | 110 | 280 | 481 | - | 959 |
| 264,557 | 59,832 | 280 | 481 | - | 101,982 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 264,557 | 59,832 | 280 | 481 | - | 101,982 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 30,000 | - | 30,000 |
| - | - | - | 30,000 | - | 30,000 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 461,581 | - | 181,998 |
| - | - | - | - | - | - |
| - | - | - | 461,581 | - | 181,998 |
| 264,557 | 59,832 | 280 | (431,100) | - | (50,016) |
| 371,732 | 126,238 | - | - | - | - |
| - | - | 204,138 | 74,277 | - | 683,647 |

The accompanying notes are an integral part of this statement.

| 401 Water/Sewer Utility Fund | 403 Stormwater Utility Fund | 404 Solid Waste Fund | 510 Employment Security Fund | 520 ER&R Fund | 704 Perpetual Care Fund |
|-------------------------------------|------------------------------------|-----------------------------|-------------------------------------|--------------------------|--------------------------------|
| 10,289,878 | - | - | - | - | 302,884 |
| 2,687,052 | 298,475 | 30,207 | 230,434 | 198,991 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 5,000 | 50,000 | - | - | - | - |
| 7,527,502 | 1,085,066 | 509 | - | - | 7,085 |
| - | - | - | - | - | - |
| 36,702 | 350 | - | 1,022 | 1,825 | 1,812 |
| 7,569,204 | 1,135,415 | 509 | 1,022 | 1,825 | 8,897 |
| 528,838 | - | - | 271 | - | - |
| 354 | - | - | - | - | - |
| 3,830,476 | 711,643 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,359,668 | 711,643 | - | 271 | - | - |
| 3,209,536 | 423,772 | 509 | 751 | 1,825 | 8,897 |
| 295,200 | - | - | 40 | 5,985 | 1,000 |
| 519,537 | - | - | - | - | - |
| 607,436 | 221 | - | - | 191,678 | - |
| 1,422,173 | 221 | - | 40 | 197,663 | 1,000 |
| 258,316 | - | - | 10,367 | - | 16,240 |
| 1,626,806 | - | - | - | - | - |
| 2,431,640 | 149,066 | - | - | 319,041 | - |
| 95,220 | 89,244 | - | - | - | - |
| 4,411,983 | 238,309 | - | 10,367 | 319,041 | 16,240 |
| 219,727 | 185,683 | 509 | (9,576) | (119,553) | (6,343) |
| 8,912,327 | - | - | - | - | 296,541 |
| 4,284,329 | 484,159 | 30,716 | 220,857 | 79,437 | - |

The accompanying notes are an integral part of this statement.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

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 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

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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

C. Budgets

The City adopts annual appropriated budgets for all governmental fund types 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.

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

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

The appropriated and actual expenditures for the legally adopted budgets were as follows for 2013:

| Fund | Fund Description | Final Appropriations Amount | Actual Expenditures | Variance |
|-------------|--------------------------------|------------------------------------|----------------------------|-----------------|
| 001 | General Fund | 10,828,861.00 | 10,035,272.00 | 793,589.00 |
| 101 | City Street Fund | 1,027,490.00 | 943,032.00 | 84,458.00 |
| 103 | Cemetery Services Fund | 137,794.00 | 152,140.00 | (14,346.00) |
| 108 | Hotel/Motel Tax | 80,000.00 | 33,520.00 | 46,480.00 |
| 118 | Peg Fees | 55,250.00 | 582.00 | 54,668.00 |
| 125 | EMS Restricted | 394,542.00 | - | 394,542.00 |
| 141 | Drug Seizure Fund | 21,650.00 | 22,902.00 | (1,252.00) |
| 212 | UTGO Redemption | 19,013.00 | 109,894.00 | (90,881.00) |
| 215 | Downtown Redemption Fund | 594,805.00 | 377,035.00 | 217,770.00 |
| 304 | Real Estate Excise 1st Qtr | 297,403.00 | 152,923.00 | 144,480.00 |
| 305 | Park Impact Fee | 630,000.00 | 68,710.00 | 561,290.00 |
| 306 | Real Estate Excise 2nd Qtr | 447,403.00 | 368,495.00 | 78,908.00 |
| 310 | Transportation Impact Fee | 146,000.00 | - | 146,000.00 |
| 326 | Fire Impact Fee | - | - | - |
| 350 | Capital Project | - | - | - |
| 351 | Facilities Capital Project | 430,000.00 | 461,581.00 | (31,581.00) |
| 353 | Transportation Capital Project | 3,602,000.00 | 181,998.00 | 3,420,002.00 |
| 401 | Water/Sewer Fund | 14,007,838.00 | 8,773,675.00 | 5,234,163.00 |
| 403 | Stormwater Utility | 1,192,058.00 | 949,952.00 | 242,106.00 |
| 404 | Solid Waste Fund | - | - | - |
| 510 | Employment Security | 61,500.00 | 10,638.00 | 50,862.00 |
| 520 | ER&R Fund | 318,828.00 | 319,041.00 | (213.00) |
| 704 | Perpetual Care | 30,000.00 | 16,240.00 | 13,760.00 |
| | | 34,322,435.00 | 22,977,630.00 | 11,344,805.00 |

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

The appropriated and actual expenditures for the legally adopted budgets were as follows for 2014:

| Fund | Fund Description | Final Appropriations Amount | Actual Expenditures | Variance |
|------|--------------------------------|-----------------------------|---------------------|---------------|
| 001 | General Fund | 10,386,660.00 | 10,058,518.01 | 328,141.99 |
| 101 | City Street Fund | 1,041,973.00 | 977,118.00 | 64,855.00 |
| 103 | Cemetery Services Fund | 130,814.00 | 120,926.00 | 9,888.00 |
| 108 | Hotel/Motel Tax | 66,500.00 | 52,092.43 | 14,407.57 |
| 118 | Peg Fees | 6,350.00 | - | 6,350.00 |
| 125 | EMS Restricted | 266,000.00 | - | 266,000.00 |
| 141 | Drug Seizure Fund | 22,850.00 | 14,280.00 | 8,570.00 |
| 212 | UTGO Redemption | 204,013.00 | 113,822.50 | 90,190.50 |
| 215 | Downtown Redemption Fund | 4,079,080.00 | 3,656,762.44 | 422,317.56 |
| 304 | Real Estate Excise 1st Qtr | 190,000.00 | 189,540.00 | 460.00 |
| 305 | Park Impact Fee | 1,110,000.00 | 44,409.18 | 1,065,590.82 |
| 306 | Real Estate Excise 2nd Qtr | 402,000.00 | 400,744.83 | 1,255.17 |
| 310 | Transportation Impact Fee | 422,000.00 | - | 422,000.00 |
| 326 | Fire Impact Fee | - | - | - |
| 350 | Capital Project | 204,076.00 | - | 204,076.00 |
| 351 | Facilities Capital Project | 345,000.00 | 11,834.32 | 333,165.68 |
| 353 | Transportation Capital Project | 1,500,000.00 | 484,803.91 | 1,015,196.09 |
| 401 | Water/Sewer Fund | 15,725,935.00 | 8,920,291.77 | 6,805,643.23 |
| 403 | Stormwater Utility | 1,090,703.00 | 950,103.00 | 140,600.00 |
| 404 | Solid Waste Fund | 30,207.00 | 31,272.23 | (1,065.23) |
| 510 | Employment Security | 61,500.00 | 18,962.68 | 42,537.32 |
| 520 | ER&R Fund | 216,397.00 | 74,493.72 | 141,903.28 |
| 704 | Perpetual Care | 1,645.00 | 1,644.21 | 0.79 |
| | | 37,503,703.00 | 26,121,619.23 | 11,382,083.77 |

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

See Deposit and Interments Note 3.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

E. Deposits

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

F. Investments (See Note 3)

G. 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.

H. 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. Fire department personnel may accumulate up to 1200 hours of sick leave. 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.
- Fire employees receive a 25% payout of accrued balance in the event of retirement only.
- 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.

I. Long-Term Debt (See Note 6)

J. 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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

K. 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 175 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.

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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

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.

Other Self-Insurance Funds

The City is self-insured for claims regarding unemployment insurance. Resources set aside as of financial statement presentation date for unemployment claims are approximately \$220,857 for 2013 and \$202,178 for 2014.

L. Reserved Ending Cash

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 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 for 2013 and 2014 respectively:

- Cemetery Fund- To operate the City's Cemetery, reserved amount \$3,723 and \$15,245.
- 1st Quarter REET Fund – For use on the City's Capital Improvement plan, reserved amount \$600,098 and \$705,143.
- Park Development Fund – For use on the City's Park Improvement plan, reserved amount \$748,781 and \$867,023.
- 2nd Quarter REET Fund – For use on the City's Capital Improvement plan, reserved amount \$114,376 and \$6,638.
- Hotel Motel Fund – For use on City tourism as approved by the Lodging Tax Committee, reserved amount \$102,520 and \$108,373.
- Transportation Development Fund – For use on the Transportation Improvement plan, reserved \$371,732 and \$628,074.
- PEG Fees – To bring local government to citizens through media such as television, reserved amount \$101,143 and \$127,878.
- EMS Restricted Revenue – For use in the EMS services, reserved amount \$643,242 and \$643,888.
- Fire Impact Fees – For use in future capital facility needs, reserved amount \$126,238 and \$172,807.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

- Drug Seizure Fund – For use in a narcotics program, reserved amount \$33,616 and \$39,646.
- Woodburn/JKL Fund – For the payment of the local improvement assessment, reserved amount \$252,956 and \$266,909.
- UTGO Debt Fund – For the payment of the General Obligation bond, reserved amount \$40,104 and \$135,384.
- Gifford Liedtke Fund – For the payment of the local improvement assessment, reserved amount \$72,859 and \$35,826.
- Downtown Revitalization Bond Fund – For the payment of the General Obligation bond, reserved amount \$782,926 and \$837,984.
- Water/Sewer Utility Fund – For the bond funds issued for capital improvements, reserved amount \$8,912,327 and \$11,717,797.
- Perpetual Care Fund – For the future care of the cemetery, reserved amount \$296,541 and \$309,338.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

Note 2 – Compliance and Accountability

The following non-debt related funds exceeded their appropriations in 2013:

| Fund | Amount | Reason |
|------------------------------|---------------|---|
| 103 – Cemetery | \$14,346 | We were notified that our seasonal employees were required to be part of the PERS retirement system. The Department of Retirement Systems required an audit to true up past seasonal employees which was completed at the end of the year. As a result this fund exceeded its budget. |
| 212 – UTGO Debt Service | \$90,882 | The bond company called a principal payment not included on our amortization schedule at the end of 2013. |
| 351- Capital Facilities Fund | \$31,581 | Projects approved in prior years were expended in 2013 causing the fund to go over its 2013 budget. |
| 520- ER&R | \$213 | The IT upgrades were slightly more than budgeted for. |
| 141 – Drug Seizure Fund | \$1,252 | The purchase of the drug dog was more than budgeted. |

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

The following non-debt related funds exceeded their appropriations in 2014:

| Fund | Amount | Reason |
|-------------------|---------------|--|
| 404 – Solid Waste | \$1,065.23 | Prior to the City closing this fund, we received old delinquent payments to this fund. Thereby increasing the fund balance and the amount to close the fund. |

Note 3 – 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.

All investments are presented at fair value.

Investments by type at December 31, 2013 are as follows:

| Type of Investment | Balance |
|----------------------------------|------------------------|
| Local Government Investment Pool | \$17,673,144.93 |
| US Government Securities | \$5,002,206.10 |
| TOTAL: | \$22,675,351.03 |

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

| Type of Investment | Balance |
|----------------------------------|------------------------|
| Local Government Investment Pool | \$14,263,509.17 |
| US Government Securities | \$4,995,389.04 |
| Money Market Account | \$3,703,929.16 |
| TOTAL: | \$22,962,827.37 |

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

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 2013 was \$3.10 per \$1,000 on an assessed valuation of 1,166,188,970 for a total regular levy of \$3,615,186.

In 2013, the City also levied \$.50 per \$1,000 for emergency medical services for an additional levy of \$583,094.

In 2013, the City also levied \$.106 per \$1,000 for public safety bonds for a total additional levy of \$115,000.

The City's regular levy for 2014 was \$2.90 per \$1,000 on an assessed valuation of 1,294,782,136 for a total regular levy of \$3,758,650.54.

In 2014, the City also levied \$.4928 per \$1,000 for emergency medical services for an additional levy of \$638,099.

In 2014, the City also levied \$.159 per \$1,000 for public safety bonds for a total additional levy of \$205,000.

Note 5 – Interfund Loans and Advances

The following table displays interfund loan activity during 2013:

| <i>Borrowing Fund</i> | <i>Lending Fund</i> | <i>Balance 1/1/13</i> | <i>New Loans</i> | <i>Repayments</i> | <i>Balance 12/31/13</i> |
|-----------------------|-----------------------------|---------------------------|------------------|-------------------|-----------------------------|
| Cemetery Fund | Cemetery Perpetual Care | \$ 6,000 | \$ 0 | \$ 1,000 | \$ 5,000 |
| Cemetery Fund | Cemetery Perpetual Care | - | 16,240.01 | - | 16,240.01 |
| Water-Sewer | Downtown Gurantee Bond Fund | 300,000 | 0 | 50,000 | 250,000 |
| TOTALS | | \$ 306,000 | \$ 16,240 | \$ 51,000 | \$ 271,240 |

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

The following table displays interfund loan activity during 2014:

| <u>Borrowing Fund</u> | <u>Lending Fund</u> | <u>Balance 1/1/14</u> | <u>New Loans</u> | <u>Repayments</u> | <u>Balance 12/31/14</u> |
|-----------------------|------------------------------|-----------------------|------------------|-------------------|-------------------------|
| Cemetery Fund | Cemetery Perpetual Care | \$ 5,000 | \$ - | \$ 1,000 | \$ 4,000 |
| Cemetery Fund | Cemetery Perpetual Care | \$ 16,240 | \$ - | \$ 1,807 | \$ 14,433 |
| Water Sewer | Downtown Guarantee Bond Fund | \$ 250,000 | \$ - | \$ 50,000 | \$ 200,000 |
| | | \$ 271,240 | \$ - | \$ 52,807 | \$ 218,433 |

Note 6 – Debt Service Requirements

The accompanying Schedules 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, 2013 and 2014.

The debt service requirements for general obligation bonds, revenue bonds, public works trust fund loans, and assessment debt including both principle and interest are as follows for 2013 and 2014 respectively:

| | General Obligation Bonds | Revenue Bonds | Other Debt | Total Debt |
|---------------------|--------------------------|---------------|--------------|---------------|
| 2014 | 492,193 | 1,498,186 | 427,138 | 2,417,517 |
| 2015 | 503,030 | 1,550,399 | 375,887 | 2,429,316 |
| 2016 | 498,063 | 1,600,099 | 324,250 | 2,422,411 |
| 2017 | 242,525 | 1,596,989 | 322,385 | 2,161,899 |
| 2018 | 750,525 | 1,066,824 | 320,520 | 2,137,869 |
| 2019-2023 | 1,763,280 | 8,609,983 | 1,923,432 | 12,296,695 |
| 2024-2028 | 1,884,100 | 6,698,200 | 1,076,081 | 9,658,381 |
| 2028-2033 | - | 6,395,625 | 100,560 | 6,496,185 |
| Totals | 6,133,715 | 29,016,303 | 4,870,254 | 40,020,272 |
| Less Interest | 1,508,715 | 9,871,303 | 398,466 | 11,778,484 |
| Total Principal Due | \$ 4,625,000 | \$ 19,145,000 | \$ 4,471,788 | \$ 28,241,788 |

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

| | General Obligation Bonds | Revenue Bonds | Other Debt | Total Debt |
|----------------------------|--------------------------|----------------------|---------------------|----------------------|
| 2015 | 474,668 | 1,798,041 | 351,940 | 2,624,648 |
| 2016 | 476,784 | 1,965,799 | 328,691 | 2,771,273 |
| 2017 | 471,400 | 1,963,989 | 326,799 | 2,762,187 |
| 2018 | 471,900 | 1,440,024 | 324,907 | 2,236,831 |
| 2019 | 467,100 | 1,436,748 | 323,016 | 2,226,863 |
| 2020-2024 | 2,110,450 | 10,976,360 | 1,840,217 | 14,927,027 |
| 2025-2029 | 710,400 | 7,214,925 | 894,566 | 8,819,891 |
| 2030-2034 | - | 8,090,100 | 93,879 | 8,183,979 |
| Totals | 5,182,701 | 34,885,984 | 4,484,015 | 44,552,700 |
| Less Interest | 962,701 | 11,410,984 | 283,535 | 12,657,220 |
| Total Principal Due | \$ 4,220,000 | \$ 23,475,000 | \$ 4,200,480 | \$ 31,895,480 |

Note 7 – Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) administered by the Department of Retirement Systems, under cost-sharing multiple-employer 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 the plan benefits.

Historical trend or other information regarding each plan is presented in the 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

Additionally, the Volunteer Fire Fighters' Relief and Pension Fund System is a cost-sharing multiple-employer retirement system, which was created by the Legislature in 1945 under Chapter 41.24 RCW. It provides pension, disability and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; and 40 percent of the Fire Insurance Premium Tax. Members do not earn interest on their contributions; however, they may elect to withdraw their contribution upon termination.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

Note 8 – Joint Ventures and Related Parties

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 \$50,625 during 2013 and \$71,875 during 2014 to this organization.

The board of directors for this organization are:

Mark Lampton, 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.

Note 9 – Subsequent event

The City of Washougal issued 10,030,000 in revenue bonds in September 2015. Of this issue, a portion was used to refund revenue bonds previously issued in 2005 in the amount of \$2,180,000.

Note 10 – Other

Change of Reserved and Unreserved Cash Presentation

The City has changed its presentation of reserved and unreserved fund balance to not be more restrictive than the fund's purpose to be in compliance with accounting guidelines. This is a change from our previous year's financial statements. Funds affected were the General Fund, Street Fund, Capital Project Funds, and Enterprise Funds.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2014

Change of Fund Presentation

The City has changed its presentation of its impact fee funds to capital project funds, as well as rolling its debt guarantee funds into the associated debt fund. This is a change from our previous year's financial statements.

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

| <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 Obligations | | | | | | |
| 263.91 | Line of Credit - Bank of America | 3/31/2015 | 141,072 | - | 92,668 | 48,404 |
| 251.12 | GO Bonds refunded voted 9/12 | 12/1/2022 | 915,000 | - | 95,000 | 820,000 |
| 251.11 | GO Bonds non-voted 11/06 | 12/1/2016 | 3,710,000 | - | 3,235,000 | 475,000 |
| 251.12 | GO Bonds refunded non-voted 12/14 | 12/1/2026 | - | 2,925,000 | - | 2,925,000 |
| 263.81 | Public Works Trust Fund Loan 6/05 | 6/1/2031 | 523,761 | - | 43,647 | 480,114 |
| 263.81 | Public Works Trust Fund Loan 10/12 | 6/1/2031 | 557,925 | 26,608 | 30,996 | 553,537 |
| 263.81 | Public Works Trust Fund Loan 10/12 | 6/1/2031 | 39,270 | 203,730 | 3,613 | 239,387 |
| 263.81 | Public Works Trust Fund Loan 06/06 | 6/1/2031 | 1,247,715 | - | 95,978 | 1,151,737 |
| 263.81 | Public Works Trust Fund Loan 06/08 | 6/1/2020 | 1,547,046 | - | 103,137 | 1,443,909 |
| 259.11 | Compensated absences general and street funds | | 558,140 | - | 91,656 | 466,484 |
| 259.11 | Compensated absences water/sewer funds | | 132,256 | 19,436 | - | 151,692 |
| 259.11 | Compensated absences stormwater fund | | 57,029 | - | 21,563 | 35,466 |
| Total General Obligations: | | | 9,429,214 | 3,174,774 | 3,813,258 | 8,790,730 |
| Revenue Obligations | | | | | | |
| 252.11 | Revenue Bonds non-voted 06/05 | 9/1/2020 | 3,110,000 | - | 460,000 | 2,650,000 |
| 252.11 | Revenue Bonds non-voted 5/11 | 9/1/2031 | 16,035,000 | - | 195,000 | 15,840,000 |
| 252.11 | Revenue Bonds non-voted 12/14 | 9/1/2034 | - | 4,985,000 | - | 4,985,000 |
| Total Revenue Obligations: | | | 19,145,000 | 4,985,000 | 655,000 | 23,475,000 |
| Assessment Obligations | | | | | | |
| 263.63 | Woodburn Hill Local Improvement District 9/04 | 10/1/2021 | 155,000 | - | 60,000 | 95,000 |
| 263.63 | Gifford Liedtke Local Improvement District 9/04 | 10/1/2021 | 260,000 | - | 45,000 | 215,000 |
| Total Assessment Obligations: | | | 415,000 | - | 105,000 | 310,000 |
| Total Liabilities: | | | 28,989,214 | 8,159,774 | 4,573,258 | 32,575,730 |

City of Washougal
Schedule of Liabilities
For the Year Ended December 31, 2013

| ID. No. | General Obligations | Description | Due Date | Beginning Balance | | Additions | Reductions | Ending Balance |
|--------------------------------------|---|--------------------|-----------------|--------------------------|-----------------|------------------|-------------------|-----------------------|
| | | | | Beginning Balance | Due Date | | | |
| 263.91 | Line of Credit - Bank of America | | 12/1/2022 | 228,724 | | - | 87,665 | 141,059 |
| 251.12 | GO Bonds refunded voted 9/12 | | 12/1/2022 | 1,005,000 | | - | 90,000 | 915,000 |
| 251.11 | GO Bonds non-voted 11/06 | | 12/1/2026 | 3,925,000 | | - | 215,000 | 3,710,000 |
| 263.81 | Public Works Trust Fund Loan 6/05 | | 7/1/2025 | 567,408 | | - | 43,647 | 523,761 |
| 263.81 | Public Works Trust Fund Loan 10/12 | | 6/1/2031 | 81,972 | | 480,267 | 4,314 | 557,925 |
| 263.81 | Public Works Trust Fund Loan 10/12 | | 6/1/2031 | - | | 39,270 | - | 39,270 |
| 263.91 | Latecomer Agreement Washougal Water LLC | | 10/1/2013 | 130,539 | | - | 130,539 | - |
| 263.81 | Public Works Trust Fund Loan 6/06 | | 12/1/2026 | 1,303,885 | | - | 56,170 | 1,247,715 |
| 263.81 | Public Works Trust Fund Loan 6/08 | | 7/1/2028 | 1,650,182 | | - | 103,136 | 1,547,046 |
| 251.11 | Gifford Liedtke Local Improvement District 9/04 | | 2/15/2020 | 205,000 | | - | 50,000 | 155,000 |
| 259.11 | Compensated Absences General and Street Funds | | | 635,387 | | - | 77,247 | 558,140 |
| 259.11 | Compensated Absences Water/Sewer Funds | | | 108,889 | | 23,367 | - | 132,256 |
| 259.11 | Compensated Absences Stormwater Fund | | | 32,975 | | 24,054 | - | 57,029 |
| Total General Obligations: | | | | 9,874,961 | | 566,958 | 857,718 | 9,584,201 |
| Revenue Obligations | | | | | | | | |
| 252.11 | Revenue Bonds non-voted 6/05 | | 9/1/2020 | 3,550,000 | | - | 440,000 | 3,110,000 |
| 252.11 | Revenue Bonds non-voted 5/11 | | 9/1/2031 | 16,035,000 | | - | - | 16,035,000 |
| Total Revenue Obligations: | | | | 19,585,000 | | | 440,000 | 19,145,000 |
| Assessment Obligations | | | | | | | | |
| 263.63 | Woodburn Hill Local Improvement District 2/00 | | 2/15/2020 | 260,000 | | - | - | 260,000 |
| Total Assessment Obligations: | | | | 260,000 | | | | 260,000 |
| Total Liabilities: | | | | 29,719,961 | | 566,958 | 1,297,718 | 28,989,201 |

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 |