

Washington State Auditor's Office
Financial Statements Audit Report

City of Washougal
Clark County

Audit Period
January 1, 2012 through December 31, 2012

Report No. 1010874

Issue Date
December 23, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

December 23, 2013

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,

TROY KELLEY
STATE AUDITOR

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Clark County
January 1, 2012 through December 31, 2012**

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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
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Standards*

**City of Washougal
Clark County
January 1, 2012 through December 31, 2012**

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, 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 2, 2013.

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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

December 2, 2013

Independent Auditor's Report on Financial Statements

**City of Washougal
Clark County
January 1, 2012 through December 31, 2012**

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, 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 6.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with 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 opinion.

Opinion

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, 2012, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

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.

Purpose of this Report

The report is intended for the information and use of the management and the Mayor and City Council of the City. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 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 written in a cursive style with a large "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

December 2, 2013

Financial Section

**City of Washougal
Clark County
January 1, 2012 through December 31, 2012**

FINANCIAL STATEMENTS

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	103 Cemetery Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	19,198,443	1,924,041	0	427
30880	Beg Fund Bal-Unreserved	3,101,789	675,376	608,206	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	8,446,733	7,690,924	190,946	0
320	Licenses & Permits	528,361	365,571	127,534	0
330	Intergovernmental Revenues	1,359,012	461,515	290,360	0
340	Charges for Goods and Services	8,755,608	836,013	11,034	38,044
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	446,795	148,650	2,064	3,034
Total Operating Revenues:		19,536,509	9,502,673	621,937	41,078
Operating Expenditures					
510	General Government	2,413,668	2,068,992	0	0
520	Public Safety	5,512,561	5,480,079	5,159	0
530	Utilities And Environment	4,090,169	337,854	0	89,350
540	Transportation	1,868,820	0	951,190	0
550	Economic Environment	338,566	276,996	0	0
560	Mental & Physical Health	3,699	3,699	0	0
570	Culture And Recreation	470,630	450,005	0	0
598	Intergovernmental Payments	153,328	0	0	0
Total Operating Expenditures:		14,851,441	8,617,624	956,349	89,350
Net Operating Increase (Decrease):		4,685,069	885,048	-334,412	-48,272
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	477,195	217,537	0	694
391-393	Debt Proceeds	1,121,940	0	0	0
397	Transfers-In	826,395	35,122	26,515	55,000
Total Nonoperating Revenues:		2,425,530	252,659	26,515	55,694
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	1,514,848	228,056	0	1,000
591-593	Debt Service	2,437,353	0	0	0
594-595	Capital Expenditures	3,702,061	254,596	5,913	0
597	Transfers-Out	826,395	246,000	0	0
Total Nonoperating Expenditures:		8,480,658	728,652	5,913	1,000
Increase (Decrease) in Cash and Investments		-1,370,058	409,055	-313,810	6,422
Ending Cash and Investments					
50810	End Fund Bal-Reserved	17,454,245	1,495,404	0	6,849
50880	End Fund Balance-Unreserved	3,475,928	1,513,068	294,396	0

The accompanying notes are an integral part of this Statement.

BARS Code		104 Real Estate Excise Tax 1st 1/4%	105 Park Development	106 Real Estate Excise Tax 2nd 1/4%	108 Hotel Motel Tax
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	579,196	618,479	342,675	64,700
30880	Beg Fund Bal-Unreserved	0	0	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	197,878	0	197,878	41,573
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	26,382	11,595	0	0
340	Charges for Goods and Services	0	90,240	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1,559	4,091	501	116
Total Operating Revenues:		225,818	105,926	198,379	41,688
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	194,600	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	20,625
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	0	194,600	20,625
Net Operating Increase (Decrease):		225,818	105,926	3,779	21,063
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		0	0	0	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	172,451	0	0
597	Transfers-Out	284,903	0	94,903	0
Total Nonoperating Expenditures:		284,903	172,451	94,903	0
Increase (Decrease) in Cash and Investments		-59,084	-66,525	-91,123	21,063
Ending Cash and Investments					
50810	End Fund Bal-Reserved	520,112	551,954	251,552	85,764
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		110 Transportation Development	118 Peg Fees	125 EMS Restricted Revenue	126 Fire Impact Fees
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	4,516	94,569	648,134	32,997
30880	Beg Fund Bal-Unreserved	0	0	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	35,256	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	102,592	0	0	33,325
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	67	166	1,219	84
Total Operating Revenues:		102,659	35,422	1,219	33,410
Operating Expenditures					
510	General Government	0	1,431	166	0
520	Public Safety	0	0	2,750	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	61,570	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	63,001	2,916	0
Net Operating Increase (Decrease):		102,659	-27,579	-1,697	33,410
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		0	0	0	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	4,155	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		0	0	4,155	0
Increase (Decrease) in Cash and Investments		102,659	-27,579	-5,852	33,410
Ending Cash and Investments					
50810	End Fund Bal-Reserved	107,175	66,991	642,283	66,407
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		141 Drug Seizure Fund	211 Combined LID - Woodburn #21 & JKL #23 Debt Service	212 UTGO Debt Service	213 Gifford Liedtke LID Bond
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	23,251	26,901	19,598	17,534
30880	Beg Fund Bal-Unreserved	0	0	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	127,534	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	5,023	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	13,878	103,319	59	38,552
Total Operating Revenues:		18,901	103,319	127,593	38,552
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	11,928	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		11,928	0	0	0
Net Operating Increase (Decrease):		6,973	103,319	127,593	38,552
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	1,039,968	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		0	0	1,039,968	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	1,118,296	0
591-593	Debt Service	0	62,203	42,369	33,215
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		0	62,203	1,160,665	33,215
Increase (Decrease) in Cash and Investments		6,973	41,116	6,896	5,337
Ending Cash and Investments					
50810	End Fund Bal-Reserved	30,224	68,017	26,494	22,871
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		215 Downtown Revitalization	350 Capital Projects	351 Building Construction	352 EECBG Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,554	340,821	0	-19,425
30880	Beg Fund Bal-Unreserved	0	0	500,036	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	328,859	0	235,278
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	124	230	921	0
Total Operating Revenues:		124	329,089	921	235,278
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	153,328
Total Operating Expenditures:		0	0	0	153,328
Net Operating Increase (Decrease):		124	329,089	920	81,950
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	379,805	0	20,500	0
Total Nonoperating Revenues:		379,805	0	20,500	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	379,805	0	0	0
594-595	Capital Expenditures	0	466,051	16,079	0
597	Transfers-Out	0	0	0	62,525
Total Nonoperating Expenditures:		379,805	466,051	16,079	62,525
Increase (Decrease) in Cash and Investments		124	-136,962	5,341	19,425
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,678	203,859	0	0
50880	End Fund Balance-Unreserved	0	0	505,377	0

The accompanying notes are an integral part of this Statement.

BARS Code		353 Transportation Capital Fund	401 Water/Sewer	403 Stormwater Utility	404 Solid Waste
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	14,222,912	224,355	30,207
30880	Beg Fund Bal-Unreserved	750,028	0	0	0
38880/58880	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	6,770,314	874,047	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	2,339	93,104	1,274	0
Total Operating Revenues:		2,339	6,863,417	875,322	0
Operating Expenditures					
510	General Government	0	343,079	0	0
520	Public Safety	0	12,645	0	0
530	Utilities And Environment	0	3,662,966	0	0
540	Transportation	0	0	723,030	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		0	4,018,689	723,030	0
Net Operating Increase (Decrease):		2,338	2,844,727	152,292	0
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	256,000	1	0
391-393	Debt Proceeds	0	81,972	0	0
397	Transfers-In	20,500	90,096	48,856	0
Total Nonoperating Revenues:		20,500	428,068	48,857	0
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	107,323	0	0
591-593	Debt Service	0	1,919,761	0	0
594-595	Capital Expenditures	39,204	2,442,910	37,748	0
597	Transfers-Out	0	48,785	89,281	0
Total Nonoperating Expenditures:		39,204	4,518,778	127,029	0
Increase (Decrease) in Cash and Investments		-16,366	-1,245,984	74,120	0
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	12,976,930	298,475	30,207
50880	End Fund Balance-Unreserved	733,662	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		510 Employment Security Fund	520 Vehicle Rental Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	0	0
30880	Beg Fund Bal-Unreserved	288,827	279,317
38880/58880	Prior Period Adjustments, net	0	0
Operating Revenues			
310	Taxes	0	0
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	0	0
340	Charges for Goods and Services	0	0
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	1,780	29,664
Total Operating Revenues:		1,780	29,664
Operating Expenditures			
510	General Government	0	0
520	Public Safety	0	0
530	Utilities And Environment	0	0
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental & Physical Health	0	0
570	Culture And Recreation	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:		0	0
Net Operating Increase (Decrease):		1,780	29,664
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	0	2,963
391-393	Debt Proceeds	0	0
397	Transfers-In	0	150,000
Total Nonoperating Revenues:		0	152,963
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	60,173	0
591-593	Debt Service	0	0
594-595	Capital Expenditures	0	262,953
597	Transfers-Out	0	0
Total Nonoperating Expenditures:		60,173	262,953
Increase (Decrease) in Cash and Investments		-58,393	-80,326
Ending Cash and Investments			
50810	End Fund Bal-Reserved	0	0
50880	End Fund Balance-Unreserved	230,434	198,991

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	604 Cemetery Perpetual Care Fund	608 Woodburn & JKL Guarantee Fund	610 Downtown Guarantee Bond Fund
308	Beginning Cash and Investments	1,173,971	292,849	173,236	673,239
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	15,308	9,035	157	6,084
370-390	Other Increases and Financing Sources	51,000	1,000	0	50,000
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	0	0	0	0
Increase (Decrease) in Cash and Investments		66,307	10,035	157	56,084
508	Ending Cash and Investments	1,240,278	302,884	173,393	729,322

BARS Code		612 Gifford/Liedtke Guarantee Fund	
308	Beginning Cash and Investments	34,648	0
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	31	0
370-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		31	0
508	Ending Cash and Investments	34,679	0

The accompanying notes are an integral part of this Statement.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Note 1 – Summary of Significant Accounting Policies

The City of Washougal reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is an other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

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 uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

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

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.

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.

CITY OF WASHOUGAL
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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.

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.

Fiduciary Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year's budget appropriations as required by state law.

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

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

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

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

C. Budgets

The City 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.

Annual appropriated budgets are adopted at the fund level. The budgets constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal end.

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

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

Description	Final Appropriations Amount	Actual Expenditure	Variance
001 - General Fund	\$10,293,986	\$9,346,276	\$947,710
101 - City Street Fund	\$979,784	\$962,262	\$17,522
103 - Cemetery Fund	\$106,900	\$90,350	\$16,550
104 - REET-1st 1/4%	\$95,000	\$284,903	(\$189,903)
105 - Park Development Fund	\$450,000	\$172,451	\$277,549
106 - REET-2nd 1/4%	\$289,600	\$289,503	\$97
108 - Hotel Motel Tax	\$27,000	\$20,625	\$6,375
110 - Transportation Development	\$50,000	\$0	\$50,000
118 - Peg Fees	\$64,265	\$63,001	\$1,264
125 - EMS Restricted	\$395,000	\$7,071	\$387,929
126 - Fire Impact Fee Fund	\$0	\$0	\$0
141 - Drug Seizure Fund	\$36,900	\$11,928	\$24,972
212 - UTGO Bond Redemption Fund	\$129,000	\$1,288,258	(\$1,159,258)

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

215 - Downtown Revitalization Project	\$184,420	\$379,805	(\$195,385)
350 - Capital Projects Fund	\$172,000	\$466,051	(\$294,051)
351 - Building Contingency Fund	\$200,000	\$16,079	\$183,921
352 - EECBG Fund	\$0	\$215,853	(\$215,853)
353 - Transportation Capital Proj. Fund	\$213,000	\$39,204	\$173,796
401 - Water/Sewer Fund	\$14,298,463.19	\$8,537,467	\$5,760,996
403 - Stormwater Utility Fund	\$1,335,691	\$850,059	\$485,632
510 - Empl. Security Reserve Fund	\$61,500	\$60,173	\$1,327
520 - ERR Vehicle Fund	\$305,000	\$262,953	\$42,047
604 - Perpetual Care	\$0	\$0	\$0
610 - Downtown Bond Fund	\$0	\$0	\$0
Total City Funds	\$29,687,509	\$23,364,272	\$6,323,237

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

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

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)

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

G. Capital Assets

Capital assets are long-lived assets of the City and are recorded as 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.

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 153 Members.

CITY OF WASHOUGAL
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December 31, 2012

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.

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.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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 \$230,434.

L. Reserve Fund Balance

The City policy's is to maintain unencumbered general fund reserves of at least 16% of total general fund actual expenses through Resolution. Reserved resources set aside as of financial statement presentation date are \$1,495,404.

Fund 401 Water Sewer Fund has a reserved balance of \$10,377,333. This reserved balance is created from bond proceeds from the 2005 and 2011 outstanding revenue bonds. These bonds covenants mandate bond capital to be used for specific and to meet reserve requirements.

Note 2 – Compliance and Accountability

The following non-debt related funds exceeded their appropriations:

Fund	Amount	Reason
104 – REET – 1 st ¼%	\$189,903	The downtown debt payment was higher than we budgeted for due to registered principle that was called but not included on the debt schedule.
212 – UTGO Debt Service	\$1,159,258	The City had an opportunity to refinance their GO bonds at a lower interest rate, saving the City money. This transaction refunded the bonds to show the bond proceeds paid off and the new bonds issued.
215- Downtown Revitalization Project	\$195,385	The debt payment was higher than we budgeted for.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

350- Capital Project Fund	\$294,051	The project is under budget however the amount spent during the year was higher than what was budgeted for.
352 – EECBG Fund	\$215,853	Unanticipated use of the fund due to subrecipient grant partner having a late expenditure for program.

Note 3 – Investments

The City’s investments are either insured, registered, or held by the City or its agent in the City’s name. The City’s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The City does not hold any investments as an agent for other local governments, individuals or private organizations.

All investments are presented at market cost.

Investments by type at December 31, 2012 are as follows:

Type of Investment	Balance
Local Government Investment Pool	\$10,952,367
US Government Securities	\$8,579,128
TOTAL:	\$19,531,494

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 2012 was \$3.10 per \$1,000 on an assessed valuation of 1,166,188,970 for a total regular levy of \$3,615,186.

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

In 2012, the City also levied \$.50 per \$1,000 for emergency medical services for an additional levy of \$583,094.

In 2012, the City also levied \$.106 per \$1,000 for public safety bonds for a total additional levy of \$123,616.

Note 5 – Interfund Loans and Advances

The following table displays interfund loan activity during 2012:

<i>Borrowing Fund</i>	<i>Lending Fund</i>	<i>Balance 1/1/12</i>	<i>New Loans</i>	<i>Repayments</i>	<i>Balance 12/31/12</i>
Cemetery Fund	Cemetery Perpetual Care	\$ 7,000	\$	\$ 1,000	\$ 6,000
Water-Sewer	Downtown Gurantee Bond Fund	350,000	0	50,000	300,000
TOTALS		<u>\$ 357,000</u>	<u>\$ 0</u>	<u>\$ 51,000</u>	<u>\$ 306,000</u>

Note 6 – Long Term Debt

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2012. The debt service payment for the fiscal year reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2013	396,048	1,300,786	394,091	2,090,925
2014	583,093	1,498,186	392,399	2,473,678
2015	503,030	1,550,399	341,144	2,394,573
2016	498,063	1,600,099	289,693	2,387,855
2017	242,525	1,596,989	288,015	2,127,529
2018-2022	2,439,105	8,071,844	1,839,824	12,350,773
2023-2027	1,958,800	8,018,913	1,062,072	11,039,785
2028-2032	0	6,679,875	120,990	6,800,865
Totals	<u>6,620,664</u>	<u>30,317,090</u>	<u>4,728,228</u>	<u>41,665,982</u>
Less Interest	<u>1,690,663</u>	<u>10,732,089</u>	<u>431,058</u>	<u>12,853,810</u>
Total Principal Due	<u>\$ 4,930,001</u>	<u>\$ 19,585,001</u>	<u>\$ 4,297,170</u>	<u>\$28,812,172</u>

The City refunded their voted general obligation bonds originally issued February 2002 to take advantage of a lower interest rate.

Additionally, a latecomer contract with a developer is included on the Schedule of Long-Term Debt – Revenue Debt (09) in the amount of \$130,539. This contract payable is

CITY OF WASHOUGAL
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

due only as certain revenues within the Water Sewer Enterprise Fund are collected. As a result, this is not included in the schedule above.

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.

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 \$52,874 during 2012 to this organization.

CITY OF WASHOUGAL
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December 31, 2012

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
Paul Greenlee, Washougal City Council
Steve Hogan, Camas City Council
David Scott, Washougal City Administrator
Lloyd Halverson, 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.

CITY OF WASHOUGAL
SCHEDULE OF LIABILITIES
SCHEDULE 9

For The Year Ending December 31, 2012

I.D. No.	Description	Beginning Balance 1/1/2012	Additions	Reductions	BARS Code For Redemption	Ending Outstanding Debt 12/31/12
263.91	Line of Credit - Bank of America	\$ 311,607	\$ -	82,883	582.38.72	\$ 228,724
251.12	GO Bonds voted 12/02	1,085,000	-	1,085,000	591.21.71	-
251.12	GO Bonds refunded voted 9/12	-	1,005,000	-	591.21.71	1,005,000
251.11	GO Bonds non-voted 11/06	4,135,000	-	210,000	591.75.71	3,925,000
263.81	Public Works Trust Fund Loan 6/05	611,055	-	43,647	582.38.72	567,408
263.81	Public Works Trust Fund Loan 10/12	-	81,972	-	589.00.49	81,972
263.91	Latecomer Agreement Washougal Water LLC	187,779	-	57,240	582.38.72	130,539
252.11	Revenue Bonds non-voted 6/05	3,975,000	-	425,000	582.38.72	3,550,000
263.81	Public Works Trust Fund Loan 6/06	1,645,959	-	342,074	582.38.78	1,303,885
263.81	Public Works Trust Fund Loan 6/08	1,753,318	-	103,136	582.38.78	1,650,182
263.63	Woodburn Hill Local Improvement District 2/00	250,000	-	45,000	591.38.73	205,000
253.11	Gifforde Liedtke Local Improvement District 9/04	280,000	-	20,000	591.38.73	260,000
252.11	Revenue Bonds non-voted 5/11	16,035,000	-	-	582.35.73	16,035,000
259.11	Compensated Absences General and Street Funds	594,763	40,624	-	xxx.xx.21	635,387
259.11	Compensated Absences Water/Sewer Funds	103,291	5,598	-	xxx.xx.21	108,889
259.11	Compensated Absences Stormwater Fund	36,523	-	3,548	xxx.xx.21	32,975
		\$ 31,004,295	\$ 1,133,194	2,417,528		\$ 29,719,961



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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Director of Performance and State Audit
Director of Local Audit
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Deputy Director of Quality Assurance
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