



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

### Town of Cathlamet

Wahkiakum County

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

Published September 30, 2015

Report No. 1015185





## Washington State Auditor's Office

September 30, 2015

Mayor and Town Council  
Town of Cathlamet  
Cathlamet, Washington

### Report on Financial Statements and Federal Single Audit

Please find attached our report on the Town of Cathlamet's financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

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## FEDERAL SUMMARY

**Town of Cathlamet  
Wahkiakum County  
January 1, 2014 through December 31, 2014**

The results of our audit of the Town of Cathlamet are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### **Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Town.

### **Federal Awards**

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Town's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

## Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.760	Water and Wastewater Program Cluster - Water and Waste Disposal Systems for Rural Communities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Town did not qualify as a low-risk auditee under OMB Circular A-133.

## STATUS OF PRIOR AUDIT FINDINGS

### Town of Cathlamet Wahkiakum County January 1, 2014 through December 31, 2014

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

<b>Audit Period:</b> 1/1/2013 – 12/31/2013	<b>Report Ref. No:</b> 1012689	<b>Finding Ref. No:</b> 1
<b>Finding Caption:</b> The Town's internal controls over accounting and financial statement preparation are inadequate to ensure accurate reporting.		
<b>Background:</b> The Town did not adequately implemented internal controls to ensure financial activity was accurately reported in the financial statements and journal entries and bank statement reconciliations were independently reviewed.		
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The Town has created the following processes:</i> <ol style="list-style-type: none"> <li>1. Bank statements, journal entries, budget reports and payroll are reviewed and acknowledged by the Mayor's designee and a report of that activity is provided to Council at the monthly council meetings.</li> <li>2. The annual financial statements are reviewed by the Mayor's designee as each schedule is completed, and again upon completion of all of the financial statements prior to submission. The statements are also reviewed either by individual(s) knowledgeable of the BARS manual.</li> <li>3. Staff responsible for preparing and reviewing the financial statements are provided the tools to assure current compliance levels are met.</li> <li>4. When non-routine transactions are encountered, the various resources available to the Town have been used to ensure transactions were recorded accurately.</li> </ol>		

**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**

**Town of Cathlamet  
Wahkiakum County  
January 1, 2014 through December 31, 2014**

Mayor and Town Council  
Town of Cathlamet  
Cathlamet, 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 Town of Cathlamet, Wahkiakum County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated September 23, 2015.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Town'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 Town's

internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we have reported to the management of the Town in a separate letter dated September 23, 2015.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town'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 Town'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 Town'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". The signature is written in a cursive, flowing style.

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

September 23, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**Town of Cathlamet  
Wahkiakum County  
January 1, 2014 through December 31, 2014**

Mayor and Town Council  
Town of Cathlamet  
Cathlamet, Washington

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

We have audited the compliance of the Town of Cathlamet, Wahkiakum County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Town's major federal programs are identified in the accompanying Federal Summary.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Town's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

September 23, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Town of Cathlamet Wahkiakum County January 1, 2014 through December 31, 2014**

Mayor and Town Council  
Town of Cathlamet  
Cathlamet, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Town of Cathlamet, Wahkiakum County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 16.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 Town of Cathlamet 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 Town of Cathlamet, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Town 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 Town of Cathlamet, as of December 31, 2014, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



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

September 23, 2015

## **FINANCIAL SECTION**

**Town of Cathlamet  
Wahkiakum County  
January 1, 2014 through December 31, 2014**

### **FINANCIAL STATEMENTS**

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

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>109 Emergency Medical Services Cumulative Re</b>	<b>401 Water And Sewer</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	223,326	18,357	18,756	186,213
30880	Unreserved	707,421	278,738	-	428,682
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	308,036	308,036	-	-
320	Licenses and Permits	21,793	21,793	-	-
330	Intergovernmental Revenues	1,238,253	130,747	42,953	1,064,552
340	Charges for Goods and Services	1,103,510	17,824	103,182	982,504
350	Fines and Penalties	313	313	-	-
360	Miscellaneous Revenues	81,965	80,588	1,215	161
Total Operating Revenues:		<u>2,753,870</u>	<u>559,302</u>	<u>147,351</u>	<u>2,047,217</u>
<b>Operating Expenditures</b>					
510	General Government	229,925	176,932	-	52,993
520	Public Safety	237,046	115,287	121,759	-
530	Utilities	539,621	173	-	539,448
540	Transportation	26,168	26,168	-	-
550	Natural and Economic Environment	1,119	1,119	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	155,652	155,652	-	-
Total Operating Expenditures:		<u>1,189,531</u>	<u>475,331</u>	<u>121,759</u>	<u>592,441</u>
<b>Net Operating Increase (Decrease):</b>		<b><u>1,564,339</u></b>	<b><u>83,971</u></b>	<b><u>25,592</u></b>	<b><u>1,454,776</u></b>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	736,045	668,984	-	67,061
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		<u>736,045</u>	<u>668,984</u>	<u>-</u>	<u>67,061</u>
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	8,692	(3,715)	9,407	3,000
591-593	Debt Service	437,121	2,218	353	434,550
594-595	Capital Expenditures	1,364,153	315,546	-	1,048,606
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		<u>1,809,965</u>	<u>314,049</u>	<u>9,760</u>	<u>1,486,156</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b><u>490,418</u></b>	<b><u>438,906</u></b>	<b><u>15,832</u></b>	<b><u>35,681</u></b>
<b>Ending Cash and Investments</b>					
50810	Reserved	238,958	5,036	-	233,922
50880	Unreserved	1,182,207	730,965	34,589	416,653

*The accompanying notes are an integral part of this statement.*

**Town of Cathlamet**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

	<b>Total for All Funds (Memo Only)</b>	<b>605 Water Deposit</b>
308	Beginning Cash and Investments	56,429
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	21,605
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	17,831
	Net Increase (Decrease) in Cash and Investments:	3,774
508	Ending Cash and Investments	60,203

*The accompanying notes are an integral part of this statement.*

**Town of Cathlamet**  
**Notes to the Financial Statements**  
**January 1, 2014 through December 31, 2014**

**Note 1 - Summary of Significant Accounting Policies**

The Town of Cathlamet was incorporated on February 4, 1907 and operates under the laws of the state of Washington applicable to a fourth class town. The Town of Cathlamet is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, general administrative services and town owned water and sewer utilities.

The Town of Cathlamet 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 another 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. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles 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 present.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transaction of the Town of Cathlamet are reported in individual funds. Each fund uses a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The Town'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 Town of Cathlamet. 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 Town of Cathlamet.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

Agency Funds

These funds are used to account assets that Town of Cathlamet holds for others in a custodial capacity.

B. Basis of Accounting

Financial statements are prepared using the cash basis of accounting and measurement focus. 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 Town also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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 Town of Cathlamet adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense			
Current Expense	472,025.00	409,802.83	62,222.17
Streets	181,867.00	143,121.78	38,745.22
Library	30,645.00	31,287.63	-642.63
Current Expense CR	1,169,000.00	802,098.24	366,901.76
Fire Department CR	884.64		884.64
Tourism Development	18,000.00	18,000.00	
Cap Projects CR	146,500.00	46,793.51	99,706.49
Capital Proj. Library/Town	2,000.00	2,000.00	
Total 001 - Current Expense	2,020,921.64	1,453,103.99	567,817.65
Emergency Medical Services	159,060.00	131,518.49	27,541.51
Water & Sewer Dept	3,566,423.00	2,432,477.73	1,133,945.27
605 - Water Deposit	33,000.00	17,831.26	15,168.74
<b>totals</b>	<b>5,779,404.64</b>	<b>4,034,931.47</b>	<b>1,744,473.17</b>

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

D. Cash and Investments

It is the town's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds. The town had two major projects (Library/Town Hall renovation and construction New Wastewater Facility) over the past couple years that required the town to draw from investment funds to increase cash flow to cover the projects. It is the intention of the town to reinvest the surplus funds upon the completion of the projects which are expected in 2014 and 2015 respectively. The council is developing an investment policy in 2015 which will assure funds are being invested in a manner to yield the best result for the Town. See Note 3 – Deposits and Investments.

E. Deposits

The Town of Cathlamet deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. See Note 3 – Deposits and Investments.

F. Capital Assets

The capital assets of the Town of Cathlamet are recorded as expenditures when purchased.

G. Compensated Absences

Vacation leave may be accumulated up to 25 days and is payable upon separation or retirement.

The Town's estimated liability for vacation leave termination benefits on December 31, 2014 was \$22,768.79.

Sick leave may be accumulated 720 hours. Upon separation or retirement employees receive payment for 10% of unused sick leave.

The Town's estimated liability for sick leave termination benefits on December 31, 2014 was \$1,910.90.

The Town's estimated liability for compensatory time benefits on December 31, 2014 was \$2,788.88

H. Long-Term Debt See Note 6, *Debt Service Requirements*.

I. Other Financing Sources or Uses

The town's *Other Financing Sources or Uses* consist of transfers in and out between funds, interlocal support from Wahkiakum County and insurance recoveries.

J. Risk Management

The Town of Cathlamet is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2014, 94 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

**K. Reserved Portion of Ending Cash and Investments**

Reservations of Ending Cash and Investments in the General Fund consist of:

\$1,185                      The monies are derived from Hotel/Motel tax revenue and the use of such are reserved per statute.

\$3,851                      The monies are derived from donations for the library and the fire department. These funds are reserved by council for the use of those departments.

Reservations of Ending Cash and Investments in the Water and Sewer Fund consist of:

\$294,124                      The monies are derived from service fees, and various loans/grants and are reserved for the use for the town water and sewer utilities. These funds are reserved by funding agreement.

**Note 3 - Deposits and Investments**

The town's investments are either insured, registered or held by the Town of Cathlamet or its agent in the town's name. All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

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

<u>Type of Investment</u>	① <u>Town's</u> <b>own</b> investments	② Investments held by Town an agent for other governments, Individuals or private organizations.	③ Total
L.G.I.P.	\$ 233,464.42	\$ <u>0</u>	\$ 233,464.42
Total	\$ <u>233,464.42</u>	\$ <u>0</u>	\$ <u>233,464.42</u>

**Note 4 - Property Tax**

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

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

The town’s regular levy for the year 2014 was \$1.4927829275 per \$1,000 on an assessed valuation of \$49,428,352 for a total regular levy of \$73,785.80.

**Note 5 - Interfund Loans**

The following table displays interfund loan activity during 2014:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2014</u>
109	107	\$9,406		(\$9,406)	\$ -0-
	<b>TOTALS</b>	<b>\$ 9,046</b>	<b>\$</b>	<b>\$ (9,406)</b>	<b>\$ -0-</b>

**Note 6 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Cathlamet and summarizes the town’s debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, revenue bonds including both principle and interest, are as follows:

	Annual debt Service			
	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2015		307,502	119,439	426,941
2016		306,702	118,501	425,203
2017		306,702	117,563	424,265
2018		307,902	22,830	330,732
2019		307,027	22,830	329,857
2020	2024	1,502,310	114,152	1,616,462
2025	2029	1,378,190	68,600	1,446,790
2030	2034	1,309,460	-	1,309,460
2035	2039	1,288,004	-	1,288,004
2040	2044	1,106,510	-	1,106,510
2045	2049	1,106,510	-	1,106,510
2050	2054	994,465		994,465
		-		-
		-		-
<b>TOTALS</b>	<b>\$ -</b>	<b>\$10,221,284</b>	<b>\$ 583,915</b>	<b>\$ 10,805,199</b>

**Note 7 - Pension Plans**

Substantially all town's full-time and qualifying part-time employees participate in PERS 2 or PERS 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the town's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

**Note 8 - Other Disclosures**

The Town of Cathlamet has Interlocal Agreements with Wahkiakum County for the following services:

1. Building Inspector;
2. Law Enforcement.

**Town of Cathlamet  
Schedule of Liabilities  
For the Year Ended December 31, 2014**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligations</b>						
263.81	USDA Loan - 135 Columbia St	8/2/2027	23,401	-	1,266	22,135
259.11	Compensated Absenses	6/28/2054	27,174	-	22,578	4,596
	<b>Total General Obligations:</b>		<b>50,575</b>	<b>-</b>	<b>23,844</b>	<b>26,731</b>
<b>Revenue Obligations</b>						
252.11	1982 Sewer Rev Bond	2/1/2022	152,000	-	14,000	138,000
252.11	1999 Water Rev Bond	1/28/2039	611,640	-	13,360	598,280
252.11	2009 Water Rev Bon	8/1/2049	254,203	-	6,637	247,566
263.82	1996 Water System Improvements	7/1/2016	281,382	-	93,795	187,587
263.82	2004 WWTF	11/30/2027	259,445	-	16,773	242,672
263.82	USDA Loan - WWTF	6/30/2053	4,951,397	-	70,641	4,880,756
263.82	USDA Subsequent Loan - WWTF	6/30/2053	359,488	-	5,129	354,359
259.12	Compensated Absenses	6/28/2053	-	22,872	-	22,872
	<b>Total Revenue Obligations:</b>		<b>6,869,555</b>	<b>22,872</b>	<b>220,335</b>	<b>6,672,092</b>
	<b>Total Liabilities:</b>		<b>6,920,130</b>	<b>22,872</b>	<b>244,179</b>	<b>6,698,823</b>

**Town of Cathlamet  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
<b>Highway Planning and Construction Cluster</b>							
Federal Highway Administration (fhwa), Department Of Transportation (via Department Of Transportation)	Highway Planning and Construction	20.205	STPE- C350(003)	116,954	-	116,954	1,2
	<b>Total Highway Planning and Construction Cluster:</b>			<b>116,954</b>	<b>-</b>	<b>116,954</b>	
<b>Water and Waste Program Cluster</b>							
Rural Utilities Service, Department Of Agriculture	Water and Waste Disposal Systems for Rural Communities	10.760	USDA RD RUS	-	1,020,970	1,020,970	1,2
	<b>Total Water and Waste Program Cluster:</b>			<b>-</b>	<b>1,020,970</b>	<b>1,020,970</b>	
	<b>Total Federal Awards Expended:</b>			<b>116,954</b>	<b>1,020,970</b>	<b>1,137,924</b>	

The accompanying notes are an integral part of this statement.

Town of Cathlamet

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Town of Cathlamet's financial statements. The Town uses the cash basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Town's portion, are more than shown.

NOTE 3 - FEDERAL LOANS

(a) The Town of Cathlamet was approved by the USDA Rural Utilities Service to receive a loan totaling \$4,986,000 and \$2,497,000 grant to build a sewer treatment plant. The town has secured interim financing for the loan. Interim financing was paid off in 2013 with a bond. The draw down on the loan through December 31, 2014 is reflected on the schedule 16. At this time, the loan funding has been exhausted and the Town is now using the grant portion of this loan/grant agreement.

(b) The Town of Cathlamet was approved by the USDA Rural Utilities Service to receive a subsequent \$362,000 loan/\$288,000 grant combination totaling \$650,000 to assist with building a sewer treatment plant. The loan funding was spent in 2013. The grant portion remains to be spent.

## 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.

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

<b>Contact information for the State Auditor's Office</b>	
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<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>