



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Oroville

Okanogan County

For the period January 1, 2012 through December 31, 2013

Published October 30, 2014

Report No. 1012841





Washington State Auditor
Troy Kelley

October 30, 2014

Mayor and City Council
City of Oroville
Oroville, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

TABLE OF CONTENTS

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	4
Independent Auditor's Report On Financial Statements	6
Financial Section.....	9
About The State Auditor's Office.....	38

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Oroville
Okanogan County
January 1, 2012 through December 31, 2013**

Mayor and City Council
City of Oroville
Oroville, 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 Oroville, Okanogan County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated July 18, 2014.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

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

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

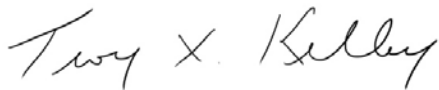
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

July 18, 2014

Independent Auditor's Report on Financial Statements

City of Oroville Okanogan County January 1, 2012 through December 31, 2013

Mayor and City Council
City of Oroville
Oroville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Oroville, Okanogan County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Oroville, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Oroville, as of December 31, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

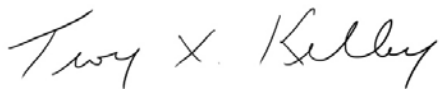
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2014 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, flowing style.

TROY KELLEY
STATE AUDITOR

July 18, 2014

Financial Section

**City of Oroville
Okanogan County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2012
Notes to Financial Statements – 2013
Notes to Financial Statements – 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Liabilities – 2012

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense Fund	101 Street Fund	104 Tourist Promotion Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	336,169	0	0	126,843
30880	Beg Fund Bal-Unreserved	4,410,235	718,898	108,165	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	946,216	764,018	164,897	12,065
320	Licenses & Permits	22,518	22,518	0	0
330	Intergovernmental Revenues	146,025	63,947	82,078	0
340	Charges for Goods and Services	1,396,654	292,566	0	0
350	Fines & Penalties	20,988	20,988	0	0
360	Miscellaneous Revenues	421,493	238,432	82	400
Total Operating Revenues:		2,953,893	1,402,468	247,057	12,465
Operating Expenditures					
510	General Government	173,727	173,727	0	0
520	Public Safety	750,772	750,772	0	0
530	Utilities	919,894	0	0	0
540	Transportation	286,575	79,817	206,758	0
550	Natural and Economic Environment	150,247	138,438	0	11,809
560	Social Services	0	0	0	0
570	Culture And Recreation	204,689	204,689	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,485,903	1,347,443	206,758	11,809
Net Operating Increase (Decrease):		467,991	55,025	40,299	656
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	118,499	5,326	553	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	16,000	0	0	0
Total Nonoperating Revenues:		134,499	5,326	553	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	54,443	11,657	0	0
591-593	Debt Service	67,500	12,500	0	0
594-595	Capital Expenditures	418,357	74,875	24,362	0
597	Transfers-Out	16,000	11,000	5,000	0
Total Nonoperating Expenditures:		556,300	110,032	29,362	
Increase (Decrease) in Cash and Investments		46,190	-49,681	11,490	656
Ending Cash and Investments					
50810	End Fund Bal-Reserved	344,215	0	0	127,499
50880	End Fund Balance-Unreserved	4,448,377	669,218	119,655	0

The accompanying notes are an integral part of this Statement.

BARS Code		120 Forfeited Assets Fund	121 Federal Equitable Sharing Fund	301 Street Equipment Reserve	308 Building Fund Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	13,596	81	0	0
30880	Beg Fund Bal-Unreserved	0	0	45,409	48,494
38800/58800	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	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	0	68	68
Total Operating Revenues:				68	68
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		0	0	68	68
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	5,000	0
Total Nonoperating Revenues:				5,000	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	644	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		644			
Increase (Decrease) in Cash and Investments		-644	0	5,068	68
Ending Cash and Investments					
50810	End Fund Bal-Reserved	12,952	81	0	0
50880	End Fund Balance-Unreserved	0	0	50,476	48,562

The accompanying notes are an integral part of this Statement.

BARS Code		309 Library Improvement Reserve	310 Airport Improvement Reserve	312 Capital Improvement Fund	321 Police Vehicle Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	121,819	0
30880	Beg Fund Bal-Unreserved	71,132	8,022	0	7,298
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	5,236	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	101	13	196	17
Total Operating Revenues:		101	13	5,431	17
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		101	13	5,431	17
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	1,000	5,000	0	0
Total Nonoperating Revenues:		1,000	5,000		
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	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:					
Increase (Decrease) in Cash and Investments		1,101	5,013	5,431	17
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	127,250	0
50880	End Fund Balance-Unreserved	72,233	13,035	0	7,315

The accompanying notes are an integral part of this Statement.

BARS Code		322 Fire Equipment Reserve	323 Mutual Fire Equip. Acquisition	326 Emergency Aid Reserve	327 Emergency Aid Building Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	71,087	749	110,883	14,913
38800/58800	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	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	92	0	156	19
Total Operating Revenues:		92		156	19
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		92	0	156	19
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	5,000	0	0	0
Total Nonoperating Revenues:		5,000			
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	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:					
Increase (Decrease) in Cash and Investments		5,092	0	156	19
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	76,179	749	111,039	14,932

The accompanying notes are an integral part of this Statement.

BARS Code		401 Water-Sewer Fund	402 Garbage Department
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	73,830	0
30880	Beg Fund Bal-Unreserved	2,949,520	255,664
38800/58800	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	842,295	261,792
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	181,038	812
Total Operating Revenues:		1,023,333	262,604
Operating Expenditures			
510	General Government	0	0
520	Public Safety	0	0
530	Utilities	700,984	218,910
540	Transportation	0	0
550	Natural and Economic Environment	0	0
560	Social Services	0	0
570	Culture And Recreation	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:		700,984	218,910
Net Operating Increase (Decrease):		322,349	43,694
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	112,620	0
391-393	Debt Proceeds	0	0
397	Transfers-In	0	0
Total Nonoperating Revenues:		112,620	
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	42,787	0
591-593	Debt Service	55,000	0
594-595	Capital Expenditures	315,218	3,258
597	Transfers-Out	0	0
Total Nonoperating Expenditures:		413,005	3,258
Increase (Decrease) in Cash and Investments		21,964	40,436
Ending Cash and Investments			
50810	End Fund Bal-Reserved	76,432	0
50880	End Fund Balance-Unreserved	2,968,883	296,100

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 Current Expense Fund	101 Street Fund	104 Tourist Promotion Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	303,699	0	0	110,402
30880	Beg Fund Bal-Unreserved	3,489,760	630,676	189,295	0
38800/58800	Prior Period Adjustments, net	435	435	0	0
Operating Revenues					
310	Taxes	943,202	748,492	165,213	20,443
320	Licenses & Permits	32,891	32,891	0	0
330	Intergovernmental Revenues	432,883	201,664	231,219	0
340	Charges for Goods and Services	1,276,433	188,608	0	0
350	Fines & Penalties	24,405	24,405	0	0
360	Miscellaneous Revenues	432,086	254,888	740	146
Total Operating Revenues:		3,141,900	1,450,949	397,172	20,589
Operating Expenditures					
510	General Government	169,826	169,826	0	0
520	Public Safety	725,738	725,738	0	0
530	Utilities And Environment	861,313	0	0	0
540	Transportation	278,619	67,542	211,077	0
550	Economic Environment	135,422	131,274	0	4,148
560	Mental & Physical Health	1,042	1,042	0	0
570	Culture And Recreation	185,503	185,503	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,357,463	1,280,925	211,077	4,148
Net Operating Increase (Decrease):		784,437	170,024	186,095	16,441
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	679,575	8,858	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	21,000	0	0	0
Total Nonoperating Revenues:		700,575	8,858		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	38,894	12,198	0	0
591-593	Debt Service	185,937	12,500	0	0
594-595	Capital Expenditures	286,671	45,397	221,816	0
597	Transfers-Out	21,000	21,000	0	0
Total Nonoperating Expenditures:		532,502	91,095	221,816	
Increase (Decrease) in Cash and Investments		952,510	87,787	-35,721	16,441
Ending Cash and Investments					
50810	End Fund Bal-Reserved	336,169	0	0	126,843
50880	End Fund Balance-Unreserved	4,410,235	718,898	153,574	0

The accompanying notes are an integral part of this Statement.

BARS Code		120 Forfeited Assets Fund	121 Federal Equitable Sharing Fund	308 Building Fund Reserve	309 Library Improvement Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	13,595	81	0	0
30880	Beg Fund Bal-Unreserved	0	0	43,445	70,037
38800/58800	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	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1	0	50	95
Total Operating Revenues:		1		50	95
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	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		1	0	50	95
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	5,000	1,000
Total Nonoperating Revenues:				5,000	1,000
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	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:					
Increase (Decrease) in Cash and Investments		1	0	5,050	1,095
Ending Cash and Investments					
50810	End Fund Bal-Reserved	13,596	81	0	0
50880	End Fund Balance-Unreserved	0	0	48,494	71,132

The accompanying notes are an integral part of this Statement.

BARS Code		310 Airport Improvement Reserve	312 Capital Improvement Fund	321 Police Vehicle Reserve	322 Fire Equipment Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	112,616	0	0
30880	Beg Fund Bal-Unreserved	3,022	0	6,551	64,665
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	9,053	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	150	748	1,422
Total Operating Revenues:			9,203	748	1,422
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	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		0	9,203	748	1,422
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	5,000	0	0	5,000
Total Nonoperating Revenues:		5,000			5,000
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	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:					
Increase (Decrease) in Cash and Investments		5,000	9,203	748	6,422
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	121,819	0	0
50880	End Fund Balance-Unreserved	8,022	0	7,298	71,087

The accompanying notes are an integral part of this Statement.

BARS Code		323 Mutual Fire Equip. Acquisition	326 Emergency Aid Reserve	327 Emergency Aid Building Reserve	401 Water-Sewer Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	67,005
30880	Beg Fund Bal-Unreserved	749	105,696	14,901	2,139,341
38800/58800	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	0	0	826,333
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	187	12	173,006
Total Operating Revenues:			187	12	999,339
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	634,599
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:					634,599
Net Operating Increase (Decrease):		0	187	12	364,740
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	670,717
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	5,000	0	0
Total Nonoperating Revenues:			5,000		670,717
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	26,663
591-593	Debt Service	0	0	0	173,437
594-595	Capital Expenditures	0	0	0	18,351
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:					218,451
Increase (Decrease) in Cash and Investments		0	5,187	12	817,006
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	73,830
50880	End Fund Balance-Unreserved	749	110,883	14,913	2,949,520

The accompanying notes are an integral part of this Statement.

BARS Code		402 Garbage Department
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	221,382
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	261,492
350	Fines & Penalties	0
360	Miscellaneous Revenues	644
Total Operating Revenues:		262,135
Operating Expenditures		
510	General Government	0
520	Public Safety	0
530	Utilities And Environment	226,713
540	Transportation	0
550	Economic Environment	0
560	Mental & Physical Health	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		226,713
Net Operating Increase (Decrease):		35,422
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues:		
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	33
591-593	Debt Service	0
594-595	Capital Expenditures	1,108
597	Transfers-Out	0
Total Nonoperating Expenditures:		1,141
Increase (Decrease) in Cash and Investments		34,281
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	255,664

The accompanying notes are an integral part of this Statement.

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The City of Oroville 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.

The City of Oroville was incorporated on August 3, 1908 and operates under the laws of the state of Washington applicable to a non-charter code city with a Mayor-Council form of government. The city is a general purpose government and provides public safety, fire suppression, ambulance, street maintenance and improvements, parks, airport, community development, garbage and general administrative services. In addition, the city owns and operates its own water and sewer 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 (Current Expense) 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.

Capital Projects Funds

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

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.

AGENCY FUNDS:

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.

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 26 funds. These budgets are appropriated at the fund level (except the general (current expense) fund and the waterworks 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. There were 15 funds that did not have appropriations in the 2013 budget and which have not been included in the following display.

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

Fund	Fund/Department	Final Appropriated	Actual	Variance
		Amounts	Expenditures	
1	Current Expense:			
	Legislative Dept	\$ 34,100.00	\$ 31,456.90	\$ 2,643.10
	Judicial Dept	\$ 23,000.00	\$ 22,643.41	\$ 356.59
	Financial/Admin Dept	\$ 169,900.00	\$ 128,697.75	\$ 41,202.25
	Law Enforcement Dept	\$ 582,750.00	\$ 556,375.61	\$ 26,374.39
	Fire Dept	\$ 75,500.00	\$ 54,291.38	\$ 21,208.62
	Emergency/Disaster Serv	\$ 4,800.00	\$ 4,745.49	\$ 54.51
	Emergency Aid Services	\$ 198,600.00	\$ 143,864.31	\$ 54,735.69
	Flood Control	\$ 6,000.00	\$ -	\$ 6,000.00
	Nuisance Control Services	\$ 8,800.00	\$ -	\$ 8,800.00
	Airport	\$ 102,650.00	\$ 79,817.13	\$ 22,832.87
	Mental & Physical Health	\$ 1,200.00	\$ -	\$ 1,200.00
	Community Development	\$ 144,750.00	\$ 132,961.07	\$ 11,788.93
	Library	\$ 12,300.00	\$ 10,452.72	\$ 1,847.28
	Other Financing Uses	\$ 19,800.00	\$ 22,656.88	\$(2,856.88)
	Total Current Expense Fund	\$ 1,384,150.00	\$1,187,962.65	\$196,187.35
101	Street Fund	\$ 713,150.00	\$ 236,120.11	\$477,029.89
103	Park Fund	\$ 318,800.00	\$ 252,459.69	\$ 66,340.31
104	Tourist Promo Fund	\$ 17,500.00	\$ 11,808.72	\$ 5,691.28
120	Forfeited Assets Fund	\$ 600.00	\$ 643.72	\$ 2,956.28
326	Emergency Aid Reserve	\$ 29,000.00	\$ -	\$ 29,000.00
250	Industrial Park Dev Fund	\$ 20,800.00	\$ 19,052.47	\$ 1,747.53
401	Waterworks fund:			\$ -
	Water Dept	\$ 473,500.00	\$ 391,349.63	\$ 82,150.37
	Sewer Dept	\$ 323,000.00	\$ 270,042.15	\$ 52,957.85
	Eastlake Sewer Dept	\$ 47,700.00	\$ 39,588.17	\$ 8,111.83
	Capital Improvements	\$ 789,000.00	\$ 315,218.01	\$473,781.99
	Debt Service	\$ 73,270.00	\$ 55,004.31	\$ 18,265.69
	Non Expenditure Disb	\$ 133,280.00	\$ 121,868.61	\$ 11,411.39
	Total Waterworks fund	\$ 1,839,750.00	\$1,193,070.88	\$646,679.12
402	Garbage Fund	\$ 274,600.00	\$ 241,167.56	\$ 33,432.44
403	Sewer Construction Reserve	\$ 50,600.00	\$ -	\$ 50,600.00
413	Eastlake Sewer Reserve	\$ 50,600.00	\$ -	\$ 50,600.00

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 city's legislative body. It was deemed necessary to make one budget amendments during 2013.

D. Cash

It is the city'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, including the 'Money Market' and 'Now' accounts, 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 2, *Investments*.

G. Capital Assets

The capital assets are assets with an initial individual cost of more than \$1000 and an estimated useful life in excess of 5 years. The capital assets of the city are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 360 days and is payable upon separation or retirement.

The maximum sick leave accumulation changed from 480 to 240 hours 8/1/96 and again to 336 hours 12/16/03. Those employees in with between 240 and 480 hours did not lose their accumulated total, but now will not earn any additional sick leave until they fall below the 336 hour total. Upon separation or retirement, employees do not receive payment for unused sick leave.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The city's *Other Financing Sources or Uses* consist of Debt Service.

K. Risk Management

The City is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34

cities 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 September 1, 2013, there are 236 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive, and collision, equipment breakdown and crime protection, and liability, including general, automobile, and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insure retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,247,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible. Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31 2013, were \$1,423,059.12.

L. Reserved Fund Balance

The city has five funds that have reserved funds. Fund numbers and balances on 12/31/13:

- 104 - Tourist Promotion Fund - \$ 127,499.37
- 120 - Forfeited Assets Fund - \$ 12,952.13
- 121 - Federal Equitable Sharing Fund - \$ 80.51
- 312 - Capital Improvement Fund - \$ 127,250.43
- 401 - Water-Sewer Fund - \$ 76,432.40 (water deposits)

Note 2 - Investments

The city's investments are either insured, registered or held by the city or its agent in the city's name. Investments are presented at cost value.

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

Type of Investment	2013 City Owned Investment Balance
Certificates of Deposits / NOW Account	\$ 1,637,098.83
Money Market Account (invested checking account funds)	\$ 2,244,150.00
Total	\$ 3,881,248.83

Note 3 - 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 city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2013 was \$ 2.66499 per \$1,000 on an assessed valuation of \$ 95,349,338 for a total regular levy of \$ 254,105.

In 2013, the special six year levy for EMS purposes was \$.249902 per \$1,000 on an assessed valuation of \$95,349,338 for a total special levy of \$23,828., the first of six years approved by voters in November, 2012.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2013.

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

	General		Revenue		Other		Total
	Obligation		Bonds		Debt		Debt
	Bonds						
2014			\$ 55,000.00				\$ 55,000.00
2015			\$ 55,000.00		\$ 72,934.10		\$ 127,934.10
2016			\$ 55,000.00		\$ 83,125.27		\$ 138,125.27
2017			\$ 55,000.00		\$ 82,451.23		\$ 137,451.23
2018			\$ 55,000.00		\$ 81,777.18		\$ 136,777.18
2019-2023			\$ 55,000.00		\$ 398,775.21		\$ 453,775.21
2024-2028					\$ 367,797.82		\$ 367,797.82
2029-2033					\$ 347,815.26		\$ 347,815.26
2034-2038					\$ 200,814.06		\$ 200,814.06
Totals			\$ 330,000.00		\$ 1,635,490.13		\$ 1,965,490.13

* The City of Oroville, Okanogan County and Veranda Beach Partnership entered into agreements regarding water and sewer extensions and improvements both inside and outside the city limits to the Veranda Beach Development four miles north of Oroville on the east side of Lake Osoyoos. Okanogan County was awarded a 7+ million Public Works Trust Fund Loan for Infrastructure Improvement and the city utilized a portion for sewer collection system improvements. The Sewer Collection System Project was completed in conjunction with the county's city sewer collection system improvements north of 11th Ave, and which was required to serve the county's Eastlake Sewer Project. The City is also used a portion of the funds to complete a Biosolids Handling Improvement Project.

When the loan close-out documents were filed in June, 2011, the approved loan amount differed from the actual loan amounts. The city's share was reduced, both on the Pre-Construction Loan and the Construction Loan. Amortization Schedules from PWTF and Okanogan County are attached and have been used to calculate the city's share of the long term debt. The City actually didn't receive any revenues nor did it pay any of the PWTF construction costs directly, only its pro-rated share of the annual debt payment. (See attached documentation from Okanogan County).

In 2012, Okanogan County has since applied for a revision to the Public Works Trust Fund Loan secured by Okanogan County for Infrastructure Improvements in the Eastlake area. The terms of the construction loan have changed to a 30 year loan with 2 years (2013 and 2014) deferred payment and Okanogan County agreed to extend the new terms to the city, although the city made a full payment in 2012 and the county's payment was based on the new terms.

Schedule 9 indicates slight adjustments. The figures above represent the new amortization schedule from PWTF less the extra funds paid during 2012 that will be credited on the 2015 payment.

It is anticipated that Eastlake Sewer System Development Fees will be adequate for loan repayment but the city recognizes that if necessary, user fees will be increased.

Note 5 - Pension Plans

Substantially all city full-time and qualifying part-time employees participate in PERS 1, 2, 3 and LEOFF 2 plans 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 city'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

The City approved employee participation in a 457K Plan, effective August 1, 1999. Corporate Gold Benefits was authorized as Administrators of the Plan on behalf of the City. Corporate Gold Benefits however dissolved the fall of 2008 and the parent company, SunAmerica, performed administrative duties until April of 2009, at which time the employees switched participation to the Washington State Deferred Comp Plan. A few employees retained their account with SunAmerica.

Note 6 - Other Disclosures

Software Conversion: Conversion from the ASP (Application Software Products) software to Vision Municipal Solutions software was delayed until January 2011. The 2011 Year Beginning Cash Balances differed from the 2010 Year End Cash Balances due to adjustments during in the Vision Conversion to fund #001 in the amount of \$1185.46. A prior period adjustment in the amount of \$435.46 was made during 2012, part of which was included in the \$1185.46 2011 Year Beginning Cash. It was discovered in 2013 that the Vision Financial Program showed \$1118.46 less cash than the Bank Statements and it was believed to be tied to the prior adjustments. A cashiers' adjustment was made in the amount of \$1118.46 during December 2013.

Fund Reporting: The city continues the process of updating and reassigning BARS fund and account numbers to reach compliance with the ever changing BARS manual. For the purpose of this annual report, the following funds have been combined:

- 001 – includes 001, 103, 130, and 350
- 401 – includes 401, 404, 403, 410, 411, 412, and 413
- 402 – includes 402 and 420

Cost Allocation: The city continues to work on establishing “allocation” plans in reference to both staff “salaries” and hydrant costs for City Council approval. Difficulty in establishing staff salary allocations has been complicated by the number and variety of special and time consuming projects the city has completed over the last ten years, thus a “normal” time share has been unable to be established. We are targeting the salary allocations to be completed in 2014.

Interlocal Agreements: Oroville continues to contract with Okanogan County to provide municipal court services, prisoner housing and dispatch services. The City continues to provide Building Inspector/Permit Administrator services via an Interlocal Agreement to both Okanogan and Tonasket on a pro-rated basis. The city also provides Fire Suppression Services to Rural Fire District #1 and Ambulance Services to EMS District #1.

Post Employment Benefits: During 2013, the City paid \$18,875.76 in post employment benefits for one LEOFF 1 disabled employee.

Water Utility Extension: In 2012, the Army Corps of Engineers started to build a new facility to house the U.S. Border Patrol four miles north of Oroville on the city's North End Water System. Because the water distribution system was originally designed to provide water services to residences only, the City required the Corps to either build or fund the building of a reservoir adequate to meet the facility's fire sprinkler needs. The City received \$519,000 for reservoir design/construction fees, however actual bids came in well over the amount the received. The city has continued negotiations with the federal government to pay the overage, which will be determined upon completion of the project in the spring of 2014. It is anticipated that full reimbursement will be made, but if not, the city will use some of the North End Water System Development fees to offset any difference.

Risk pool special assessments: As a member of CIAW, the city paid a \$2815.72 assessment during 2013, which was the fourth of a five year assessment.

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The City of Oroville 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.

The City of Oroville was incorporated on August 3, 1908 and operates under the laws of the state of Washington applicable to a non-charter code city. The city is a general purpose government and provides public safety, fire suppression, ambulance, street maintenance and improvements, parks, airport, community development, garbage and general administrative services. In addition, the city owns and operates its own water and sewer 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 (Current Expense) 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.

Capital Projects Funds

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

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.

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.

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 26 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. There were 14 funds that did not have appropriations in the 2012 budget and which have not been included in the following display.

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

Fund	Fund/Department	Final Appropriated	Actual	Variance
		Amounts	Expenditures	
1	Current Expense:			
	Legislative Dept.	\$ 33,000.00	\$ 29,975.43	\$ 3,024.57
	Judicial Dept.	\$ 22,500.00	\$ 19,261.72	\$ 3,238.28
	Financial/Admin. Dept.	\$ 166,500.00	\$ 130,033.97	\$ 36,466.03
	Law Enforcement Dept.	\$ 570,750.00	\$ 553,895.78	\$ 16,854.22
	Fire Dept.	\$ 70,100.00	\$ 56,133.87	\$ 13,966.13
	Emergency/Disaster Serv.	\$ 4,700.00	\$ 4,674.45	\$ 25.55
	Emergency Aid Services	\$ 145,100.00	\$ 123,383.26	\$ 21,716.74
	Flood Control	\$ -	\$ -	\$ -
	Nuisance Control Services	\$ 8,500.00	\$ -	\$ -
	Airport	\$ 83,500.00	\$ 69,506.67	\$ 13,993.33
	Mental & Physical Health	\$ 1,200.00	\$ 1,041.81	\$ 158.19
	Community Development	\$ 142,000.00	\$ 127,295.55	\$ 14,704.45
	Library	\$ 13,000.00	\$ 11,292.56	\$ 1,707.44
	Other Financing Uses	\$ 31,000.00	\$ 33,197.74	\$ (2,197.74)
	Total Current Expense Fund	\$ 1,291,850.00	\$ 1,159,692.81	\$ 132,157.19

Fund	Fund/Department	Final Appropriated	Actual	Variance
		Amounts	Expenditures	
101	Street Fund	\$ 456,500.00	\$ 432,892.64	\$ 23,607.36
103	Park Fund	\$ 283,000.00	\$ 196,107.54	\$ 86,892.46
104	Tourist Promo Fund	\$ 16,000.00	\$ 4,148.20	\$ 11,851.80
120	ForFeited Assets Fund	\$ 5,000.00	\$ -	\$ 5,000.00
301	Street Equip. Reserve	\$ 20,000.00	\$ -	\$ 20,000.00
312	Cap. Improve. Reserve	\$ 15,000.00	\$ -	\$ 15,000.00
350	Industrial Park Dev. Fund	\$ 20,400.00	\$ 18,169.76	\$ 2,230.24
401	Waterworks Fund			
	Water Dept.	\$ 356,500.00	\$ 308,447.72	\$ 48,052.28
	Sewer Dept.	\$ 305,000.00	\$ 282,890.71	\$ 22,109.29
	Eastlake Sewer Dept.	\$ 38,000.00	\$ 38,261.06	\$ (261.06)
	Capital Improvements	\$ 342,000.00	\$ 18,350.74	\$ 323,649.26
	Debt Service	\$ 69,000.00	\$ 72,237.21	\$ (3,237.21)
	Other Financing Uses	\$ 5,000.00	\$ 5,000.00	\$ -
	Non-Expenditure Disb.	\$ 63,000.00	\$ 67,648.05	\$ (4,648.05)
	Total Waterworks Fund	\$ 1,178,500.00	\$ 792,835.49	\$ 385,664.51
402	Garbage Fund	\$ 278,000.00	\$ 245,854.00	\$ 32,146.00
403	Sewer Construction Reserve	\$ 50,600.00	\$ 50,600.00	\$ -
413	Eastlake Sewer Reserve	\$ 50,600.00	\$ 50,600.00	\$ -

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 city's legislative body. It was deemed necessary to make two budget amendments during 2012.

D. Cash

It is the city'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, including the 'Money Market' and "Now" accounts, 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 2, *Investments*.

G. Capital Assets

The capital assets of the city and are recorded as expenditures when purchased. The city usually considers an initial cost of more than \$1000 and an estimated life of 5 years or more, however will be adopting a policy increasing that amount to \$5000.

H. Compensated Absences

Vacation leave may be accumulated up to 360 days and is payable upon separation or retirement.

The maximum sick leave accumulation changed from 480 to 240 hours 8/1/96 and again to 336 hours 12/16/03. Those employees in with between 240 and 480 hours did not lose their accumulated total, but now will not earn any additional sick leave until they fall below the 336 hour total. Upon separation or retirement, employees do not receive payment for unused sick leave.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The city's *Other Financing Sources or Uses* consist of Operating Transfers In and Operating Transfers out.

K. Risk Management

The is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34 cities 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 September 1, 2012, there are 240 members in the program. The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive, and collision, equipment breakdown and crime protection, and liability, including general, automobile, and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insure retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$2,815,000 to cap the total claims paid by the program in any one year. Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible. Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1.

The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31 2012, were \$1,099,472.

L. Reserved Fund Balance

The city has five funds that have reserved funds. Fund numbers and balances on 12/31/12:

104 - Tourist Promotion Fund - \$ 126,843.02
120 - Forfeited Assets Fund - \$ 13,595.85
121 - Federal Equitable Sharing Fund - \$ 80.51
312 - Capital Improvement Fund - \$ 121,819.11
401 - Water-Sewer Fund - \$ 73,830.40 (water deposits)

Note 2 - Investments

The city's investments are either insured, registered or held by the city or its agent in the city's name.

Investments are presented at cost value.

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

Type of Investment	2012 City Owned Investment Balance
Certificates of Deposits / NOW Account	\$ 1,637,098.83
Money Market Account (invested checking account funds)	\$ 2,244,150.00
Total	\$ 3,881,248.83

Note 3 - 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 city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2012 was \$ 2.625180 per \$1,000 on an assessed valuation of \$ 98,322,987 for a total regular levy of \$ 250,240.

In 2012, the special six year levy for EMS purposes was \$.200623 per \$1,000 on an assessed valuation of \$95,322,984 for a total special levy of \$19,124, the sixth of six years approved by voters in November, 2006.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2012.

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

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2013	12,500.00	172,432.74		184,932.74
2014		171,415.36		171,415.36
2015		170,398.00		170,398.00
2016		169,380.63		169,380.63
2017		168,363.26		168,363.26
2018-2022		661,555.82		661,555.82
2023-2027		417,016.49		417,016.49
Totals	12,500.00	1,930,562.30		1,943,062.30

* The City of Oroville, Okanogan County and Veranda Beach Partnership entered into agreements regarding water and sewer extensions and improvements both inside and outside the city limits to the Veranda Beach Development four miles north of Oroville on the east side of Lake Osoyoos. Okanogan County was awarded a 7+ million Public Works Trust Fund Loan for Infrastructure Improvement and the city utilized a portion for sewer collection system improvements. The Sewer Collection System Project was completed in conjunction with the county's city sewer collection system improvements north of 11th Ave, and which was required to serve the county's Eastlake Sewer Project. The City is also used a portion of the funds to complete a Biosolids Handling Improvement Project.

When the loan close-out documents were filed in June, 2011, the approved loan amount differed from the actual loan amounts. The city's share was reduced, both on the Pre-Construction Loan and the Construction Loan. Amortization Schedules from PWTF and Okanogan County are attached and have been used to calculate the city's share of the long term debt. The City actually didn't receive any revenues nor did it pay any of the PWTF construction costs directly, only its pro-rated share of the annual debt payment. (See attached documentation from Okanogan County).

Okanogan County has since applied for a revision to the Public Works Trust Fund Loan secured by Okanogan County for Infrastructure Improvements in the Eastlake area. The terms of the construction loan have changed to a 30 year loan with 2 years deferred payment. As of this date, new amortization schedules have not yet been received, but Okanogan County has agreed to extend the new terms to the city.

It is anticipated that Eastlake Sewer System Development Fees will be adequate for loan repayment but the city recognizes that if necessary, user fees will be increased.

Note 5 - Pension Plans

Substantially all city full-time and qualifying part-time employees participate in PERS 1, 2, 3 and LEOFF 2 plans 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 city'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

The City approved employee participation in a 457K Plan, effective August 1, 1999. Corporate Gold Benefits was authorized as Administrators of the Plan on behalf of the City. Corporate Gold Benefits however dissolved the fall of 2008 and the parent company, SunAmerica, performed administrative duties until April of 2009, at which time the employees switched participation to the Washington State Deferred Comp Plan. A few employees retained their account with SunAmerica.

Note 6 - Other Disclosures:

- LEOFF 1 Retirees: The city has one LEOFF 1 disabled retiree. 2012 medical Insurance costs were \$18,875.76.
- Accounting: Conversion from the ASP (Application Software Products) software to Vision Municipal Solutions software was delayed until January 2011. The 2011 Year Beginning Cash Balances differed from the 2010 Year End Cash Balances due to adjustments during in the Vision Conversion to fund #001 in the amount of \$1185.46. A prior period adjustment in the amount of \$435.46 was made during 2012, part of which was included in the \$1185.46 2011 Year Beginning Balance. The city continues the process of updating and reassigning BARS fund and account numbers to reach compliance with recent changes in BARS reporting. Future budgets and reporting will be changed according to the ever changing BARS manual.

For the purpose of this annual report, the following funds have been combined:

001 – includes 001, 103, 130, and 350
101 – includes 301
401 – includes 401, 404, 403, 410, 411, 412, and 413
402 – includes 402 and 420

- Cost Allocation: The city continues to work on establishing “allocation” plans in reference to both staff “salaries” and hydrant costs for City Council approval. Difficulty in establishing staff salary allocations has been complicated by the number and variety of special and time consuming projects the city has completed over the last six years, thus a “normal” time share has been unable to be established.

- Lawsuits: On March 11, 2011, Shawna Anderson filed a claim for damages and personal injury against the City of Oroville and Officer Todd Hill and his family, amount to be determined. Ms. Anderson signed a Settlement Agreement and the claim was dismissed Feb. 1, 2012 for an undisclosed amount.
- Interlocal Agreements: Oroville continues to contract with Okanogan County to provide municipal court services, prisoner housing and dispatch services.

Okanogan County has applied for a revision to the Public Works Trust Fund Loan secured by Okanogan County for Infrastructure Improvements in the Eastlake area (and which the city was allowed to use a portion for sewer improvements in order to serve the sewer extension to the Eastlake area). The terms of the construction loan have changed to a 30 year loan with 2 years deferred payment. As of this date, new amortization schedules have not been received, but Okanogan County has agreed to extend the new terms to the city.

City of Oroville

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	259.11	G/O Compensated Balance		57,184	0	11,209	45,975
	263.81	1994 PWTF	6/30/2013	12,500	0	12,500	0
	263.98	Misc. Liability Risk Assessment	10/15/2015	5,631	0	2,816	2,816
Total General Obligations:				75,315	0	26,525	48,791
Revenue Obligations							
	259.12	Proprietary Fund Balances		41,871	0	6,726	35,145
	263.92	Water Rights Acquisition	3/5/2020	385,000	0	55,000	330,000
	263.82	Okanogan County PWTF 2006	7/1/2024	35,601	0	19	35,582
	263.82	Okanogan County PWTF 2011	7/1/2036	1,503,419	261	0	1,503,680
Total Revenue Obligations:				1,965,891	261	61,745	1,904,407
Total Liabilities:				2,041,206	261	88,270	1,953,198

The accompanying notes to the financial statements are an integral part of this schedule

MCAG NO. 0535

City of Oroville

Schedule 09

Schedule of Liabilities
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	259.11	G/O Compensated Balances		58,765	0	1,581	57,184
	263.81	1994 PWTF Loan	6/30/2013	25,000	0	12,500	12,500
		Total General Obligations:		83,765	0	14,081	69,684
Revenue Obligations							
	259.12	Proprietary Funds Compensation Balances		41,705	166	0	41,871
	263.92	Water Rights Acquisition	3/15/2020	440,000	0	55,000	385,000
	263.82	Okanogan County PWTF	7/1/2024	38,565	0	2,964	35,601
	263.82	Okanogan County PWTF loan	7/1/2026	1,603,422	0	100,003	1,503,419
		Total Revenue Obligations:		2,123,692	166	157,967	1,965,891
		Total Liabilities:		2,207,457	166	172,048	2,035,575

The accompanying notes to the financial statements are an integral part of this schedule

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov