



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of College Place

Walla Walla County

For the period January 1, 2016 through December 31, 2016

Published October 16, 2017

Report No. 1019030





Office of the Washington State Auditor
Pat McCarthy

October 16, 2017

Mayor and City Council
City of College Place
College Place, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of College Place
Walla Walla County
January 1, 2016 through December 31, 2016**

Mayor and City Council
City of College Place
College Place, 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 College Place, Walla Walla County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 9, 2017.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

October 9, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of College Place Walla Walla County January 1, 2016 through December 31, 2016

Mayor and City Council
City of College Place
College Place, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of College Place, Walla Walla County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of College Place, for the year ended December 31, 2016, 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 College Place, as of December 31, 2016, 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 Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2017 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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

October 9, 2017

FINANCIAL SECTION

**City of College Place
Walla Walla County
January 1, 2016 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016

City of College Place
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 Current Expense Fund	100 Street Fund	120 Criminal Justice Fund
Beginning Cash and Investments					
30810	Reserved	9,113,476	314,880	319,338	13,971
30880	Unreserved	4,581,254	2,548,864	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	4,163,755	4,029,237	-	-
320	Licenses and Permits	534,438	233,583	6,855	-
330	Intergovernmental Revenues	2,428,976	258,622	206,019	11,660
340	Charges for Goods and Services	5,090,618	366,670	-	-
350	Fines and Penalties	39,558	32,279	-	-
360	Miscellaneous Revenues	207,266	93,708	1,826	49
Total Revenues:		12,464,612	5,014,099	214,700	11,709
Expenditures					
510	General Government	736,109	726,507	210	-
520	Public Safety	2,254,094	2,254,087	-	6
530	Utilities	2,622,637	-	-	-
540	Transportation	801,634	20,558	508,585	-
550	Natural and Economic Environment	142,692	142,692	-	-
560	Social Services	2,420	2,420	-	-
570	Culture and Recreation	123,160	123,160	-	-
Total Expenditures:		6,682,746	3,269,425	508,795	6
Excess (Deficiency) Revenues over Expenditures:		5,781,866	1,744,675	(294,095)	11,703
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	248,204	-	-	-
397	Transfers-In	2,039,588	1,337	699,855	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	9,474	7,974	-	-
381, 395, 398	Other Resources	7,496	7,299	197	-
Total Other Increases in Fund Resources:		2,304,763	16,610	700,052	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,255,711	115,992	134,546	-
591-593, 599	Debt Service	1,982,095	-	-	-
597	Transfers-Out	2,038,252	1,703,702	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	38,745	34,245	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		12,314,803	1,853,939	134,546	-
Increase (Decrease) in Cash and Investments:		(4,228,175)	(92,654)	271,411	11,703
Ending Cash and Investments					
5081000	Reserved	5,311,833	446,796	590,748	25,673
5088000	Unreserved	4,154,723	2,324,293	-	-
Total Ending Cash and Investments		9,466,556	2,771,089	590,748	25,673

The accompanying notes are an integral part of this statement.

City of College Place
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		121 Forfeited Proceeds Fund	201 ULTGO Bond Fund	202 LTGO Bond Fund	235 Commercial Drive Bond Debt Service
Beginning Cash and Investments					
30810	Reserved	5,350	14,917	-	80,791
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,257	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	2,408	-	-	-
360	Miscellaneous Revenues	21	33	14	301
Total Revenues:		4,686	33	14	301
Expenditures					
510	General Government	3	33	15	40
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3	33	15	40
Excess (Deficiency) Revenues over Expenditures:		4,683	0	(1)	261
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	490,975	100,000	200,227
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	490,975	100,000	200,227
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	490,850	48,028	140,484
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	490,850	48,028	140,484
Increase (Decrease) in Cash and Investments:		4,683	125	51,971	60,004
Ending Cash and Investments					
5081000	Reserved	10,033	15,042	51,971	140,795
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		10,033	15,042	51,971	140,795

City of College Place
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		301 Street Capital Contribution	305 Capital Improvement Fund (REET)	309 Myra Road Fund	311 Street Improvement Fund
Beginning Cash and Investments					
30810	Reserved	16,016	260,748	212,323	55,776
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	134,518	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	569	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	15	618	38	133
Total Revenues:		584	135,136	38	133
Expenditures					
510	General Government	-	84	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	6	18
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	84	6	18
Excess (Deficiency) Revenues over Expenditures:		584	135,052	32	115
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	253,536	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	574	-	212,355	55,753
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		574	253,536	212,355	55,753
Increase (Decrease) in Cash and Investments:		10	(118,484)	(212,323)	(55,638)
Ending Cash and Investments					
5081000	Reserved	16,026	142,263	-	137
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		16,026	142,263	-	137

City of College Place
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		315 Facility Maintenance Reserve Fund	330 Economic Development Fund	340 Economic Development Reserve Fund	400 Water Fund
Beginning Cash and Investments					
30810	Reserved	242,369	4,877,481	65	1,295,116
30880	Unreserved	-	-	-	661,981
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	144,000
330	Intergovernmental Revenues	-	1,950,418	-	-
340	Charges for Goods and Services	-	431,904	-	1,608,974
350	Fines and Penalties	-	-	-	3,293
360	Miscellaneous Revenues	758	2,113	-	97,738
Total Revenues:		758	2,384,434	-	1,854,005
Expenditures					
510	General Government	352	-	-	7,053
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	915,604
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		352	-	-	922,657
Excess (Deficiency) Revenues over Expenditures:		406	2,384,435	-	931,348
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	100,000	381,327	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	1,500
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		100,000	381,327	-	1,500
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,114	6,949,493	-	183,467
591-593, 599	Debt Service	-	-	-	548,221
597	Transfers-Out	-	-	-	65,868
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	4,500
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,114	6,949,493	-	802,056
Increase (Decrease) in Cash and Investments:		96,292	(4,183,731)	-	130,792
Ending Cash and Investments					
5081000	Reserved	338,661	693,749	65	1,344,404
5088000	Unreserved	-	-	-	743,485
Total Ending Cash and Investments		338,661	693,749	65	2,087,889

City of College Place
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		401 Wastewater Fund	405 Appointment Keeper	500 Equipment Rental & Replacement
Beginning Cash and Investments				
30810	Reserved	1,404,336	-	-
30880	Unreserved	1,076,325	15,814	278,271
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	150,000	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	2,380,433	221	301,847
350	Fines and Penalties	1,579	-	-
360	Miscellaneous Revenues	5,987	29	3,886
Total Revenues:		2,537,999	250	305,733
Expenditures				
510	General Government	1,812	-	-
520	Public Safety	-	-	-
530	Utilities	1,707,032	-	-
540	Transportation	-	2,798	269,670
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,708,844	2,798	269,670
Excess (Deficiency) Revenues over Expenditures:		829,155	(2,548)	36,063
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	248,204
397	Transfers-In	65,868	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		65,868	-	248,204
Other Decreases in Fund Resources				
594-595	Capital Expenditures	318,412	-	296,151
591-593, 599	Debt Service	754,512	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		1,072,924	-	296,151
Increase (Decrease) in Cash and Investments:		(177,901)	(2,548)	(11,884)
Ending Cash and Investments				
5081000	Reserved	1,495,469	-	-
5088000	Unreserved	807,290	13,267	266,388
Total Ending Cash and Investments		2,302,760	13,267	266,388

City of College Place
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	625 Flexible Benefits Plan Fund	635 Municipal Court Trust Account
308	Beginning Cash and Investments	9,923	8,586	1,337
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	11,153	11,153	-
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	14,523	13,187	1,337
	Net Increase (Decrease) in Cash and Investments:	(3,371)	(2,035)	(1,337)
508	Ending Cash and Investments	6,552	6,552	-

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of College Place was incorporated on December 24, 1945 and operates under the laws of the State of Washington applicable to a code city with a mayor-council form of government. The City of College Place is a general purpose local government and provides public safety, fire protection and prevention, street improvement, parks, and general administrative services. In addition, the city owns and operates both water and wastewater utility systems.

The City of College Place reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- 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 transactions of the City of College Place are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The City of College Place'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 (Current Expense) Fund**

This fund is the primary operating fund of the City of College Place. 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 of College Place.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

NOTE 1 - ContinuedCapital 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.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Private Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

B. Basis of Accounting and Measurement Focus

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

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

C. Budgets

The City of College Place adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund 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 budget were as follows:

NOTE 1 - Continued

Fund	Department	Final Appropriations	Actual Expenses	Variance
001	Current Expense Fund			
	Current Expense Fund	\$ 7,081,415.00	\$ 5,079,345.83	\$ 2,002,069.17
	Technology Reserve Fund	234,981.00	43,953.28	191,027.72
	Employee Benefit Reserve	250,192.00	64.36	250,127.64
	Subtotal 001 Current Expense Funds	7,566,588.00	5,123,363.47	2,443,224.53
100	Street Fund	1,326,930.00	643,341.74	683,588.26
120	Criminal Justice Fund	24,745.00	6.49	24,738.51
121	Forfeited Proceeds Fund	6,852.00	2.81	6,849.19
201	ULTGO Bond Fund	506,055.00	490,882.64	15,172.36
202	99 South End Bond Fund	100,000.00	48,043.49	51,956.51
235	Commercial Drive Bond Debt Service Fund	281,061.00	140,523.94	140,537.06
301	Street Capital Contribution Fund	53,889.00	574.06	53,314.94
305	Capital Improvement Fund (REET)	317,363.00	253,620.39	63,742.61
309	Myra Road Fund	212,317.00	212,360.61	(43.61)
311	Street Improvement Fund	55,771.00	55,771.00	-
315	Facility Maintenance Reserve Fund (CE)	342,610.00	4,465.99	338,144.01
330	Economic Development Fund	9,122,366.00	6,949,493.27	2,172,872.73
340	Economic Development Reserve Fund	65.00	-	65.00
400	Water Fund			
	Water Fund	1,708,939.00	1,010,213.46	698,725.54
	Water Capital Reserve Fund	209,152.00	100,050.37	109,101.63
	Water Capital Improvement Reserve Fund	1,743,337.00	614,411.91	1,128,925.09
	2007 Water/Sewer Bond Reserve Fund	116,372.00	37.59	116,334.41
	Subtotal 400 Water Funds	3,777,800.00	1,724,713.33	2,053,086.67
401	Wastewater Fund			
	Wastewater Fund	2,720,455.00	1,976,811.92	743,643.08
	Wastewater Capital Reserve Fund	495,098.00	50,148.41	444,949.59
	Wastewater Debt Service Fund	1,705,357.00	645,298.71	1,060,058.29
	Water & Sewer Revenue Bond Fund	112,948.00	110,084.05	2,863.95
	Subtotal 401 Wastewater Funds	5,033,858.00	2,782,343.09	2,251,514.91
405	Appointment Keeper Transport	15,200.00	2,797.52	12,402.48
500	Equipment Rental & Replacement	896,178.00	565,820.15	330,357.85
625	Flexible Benefits Plan Fund	21,741.00	13,186.51	8,554.49
635	Municipal Court Trust Account	1,337.00	1,336.88	0.12

The mayor and city administrator are authorized to transfer budgeted amounts between departments within any fund; 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 of College Place's legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

NOTE 1 - Continued**E. Capital Assets**

The City does not currently have a capitalization policy. The capital assets of the City of College Place are recorded as expenditures when purchased.

F. Compensated Absences

A vacation leave balance of up to two hundred and forty hours may be carried forward each year in concurrence with the employee's anniversary date. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work (provided twelve months of employment with the city have occurred.) As of December 31, 2016, City of College Place employees had an accumulated bank of 5,908 hours of vacation and comp time. As of December 31, 2016 this bank had a potential total payout of \$199,469 if all city employees had been terminated at that time. The City has estimated an additional \$15,259 in associated payroll taxes for a total potential liability of \$214,728.

Sick leave may accumulate indefinitely. Cash-out of up to 40 hours of sick leave per year is allowed, provided that a balance of at least 96 hours remains on the books. This cash-out must be initiated during November each year. Normally, upon separation employees do not receive payment for unused sick leave. An employee who is retiring with a minimum of ten years of service with the city may cash out a maximum of one hundred and twenty hours of their accrued sick leave. As of December 31, 2016 this bank had a potential total payout of \$53,594. The City has estimated an additional \$4,100 in associated payroll taxes for a total potential liability of \$57,694.

Payments are recognized as expenditures when paid.

The foregoing is in accordance with city personnel policies. Compensated vacation and sick leave benefits may vary in accordance with approved negotiated union contract agreements and individual employment agreements.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

The City of College Place is a member of the Cities Insurance Association of Washington (CIAW). 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 December 1, 2016, there are 205 members in the program.

NOTE 1 - Continued

The pool provides the following forms of joint self-insurance and reinsurance 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, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured 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 as another layer of protection to its membership, with an attachment point of \$1,718,302.

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, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 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/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2016, were \$1,484,482.16. The risk pool's financial statements can be viewed at <http://ciaw.us>.

The City of College Place is also a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans

NOTE 1 – Continued

and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 1 – Continued**J. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by city council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following:

Fund	Fund Name	Balance	Restriction	Purpose
001	Technology Reserve Fund	\$ 196,275.08	Internal	Operation, maintenance, and replacement of technology equipment, information systems, and media services
001	Employee Benefit Reserve Fund	250,520.86	Internal	Reserve for post-employment benefit obligations
100	Street Fund	590,747.97	Internal	Maintaining public ways
120	Criminal Justice Fund	25,673.21	External	Activities/items specifically identified by state statute (domestic violence related and/or DARE program)
121	Forfeited Proceeds Fund	10,033.29	Internal	Drug enforcement and related activities
201	ULTGO Bond Fund	15,042.32	External	Debt service of the CARS road reconstruction project
202	South End Bond Fund	51,971.00	External	Debt service of the South End Bond (Lamperti and Meadowbrook infrastructure improvements)
235	Commercial Dr. Bond Debt Service Fund	140,794.89	External	Debt service of the Commercial Drive Bond (Commercial Drive infrastructure improvements)
301	Street Capital Contribution Fund	16,025.56	Internal	Account for developer contributions to street projects
305	Capital Improvement Fund (REET)	142,263.20	External	Capital projects identified on the City's Capital Facility Plan or Transportation Improvement Plan
309	Myra Road Fund	-	Internal	Improvements on Myra Road
311	Street Improvement Fund	137.28	Internal	Improvements of 12th St. and Larch Ave
315	Facility Maintenance Reserve Fund	338,661.11	Internal	Major repair and replacement of City Hall, Annex, and Fire Station buildings
330	Economic Development Fund	693,748.97	Internal	Capital projects tied to economic and infrastructure development in commercial areas
340	Economic Development Reserve Fund	64.86	Internal	Infrastructure improvements that support/foster economic growth
400	Water Capital Reserve Fund	109,329.21	Internal	Purchase of equipment necessary to operate and maintain the water system
400	Water Capital Impr. Reserve/Debt Fund	1,118,554.66	Internal	Segregate money from water utility customer payments for water system capital improvements and related long term debt service
400	Water/Sewer Bond Reserve Fund	116,519.93	External	Reserve for debt service related to the financing of the water/sewer portion of the Whitman Drive Extension Project
401	Wastewater Capital Reserve Fund	445,727.67	Internal	Purchase of equip. necessary to operate and maintain the wastewater system
401	Wastewater Debt Service Fund	1,046,960.13	Internal	Debt service related to the financing of the Wastewater Treatment Plant
401	Water/Sewer Revenue Bond Fund	2,781.69	External	Debt service related to the financing of the water/sewer portion of the Whitman Drive Extension Project
625	Flexible Benefits Plan Fund	6,552.10	Internal	Fiduciary fund for employee contributions to the flexible benefit pretax spending plan
635	Municipal Court Trust Account	-	External	Agency fund for the revenues and expenditures related to the activities of the College Place Municipal Court
		\$ 5,318,384.99		

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

NOTE 3 - PROPERTY TAXES

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 of College Place. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of College Place's regular levy for 2016 was \$2.359033333 per \$1,000 on an assessed valuation of \$549,203,100 for a total regular levy of \$1,295,588.

In 2016 the City also levied an additional \$0.910598364 per \$1,000, on an assessed valuation of \$538,711,708 for debt service on the CARS project bond. The additional levy was \$490,550.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City of College Place's debt transactions for the year ended December 31, 2016.

The debt service requirements for general obligation bonds and revenue bonds are as follows:

Period	Principal	Interest	Total
2017	1,646,585	328,488	1,975,073
2018	1,661,072	306,581	1,967,653
2019	1,296,721	284,091	1,580,813
2020	1,316,551	265,062	1,581,613
2021-2025	5,212,588	995,963	6,208,551
2026-2030	2,685,993	521,360	3,207,353
2031-2033	1,355,000	112,688	1,467,688
Totals	\$ 15,174,511	\$ 2,814,233	\$ 17,988,744

NOTE 5 - PENSION PLANS**State Sponsored Pension Plans**

Substantially all the City of College Place's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS 1, 2, or 3), and the Law Enforcement Officers' and Fire Fighters' Retirement

System (LEOFF 1 or 2).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

The City of College Place also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2016 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.012715%	\$682,855
PERS 2/3	.013960%	\$702,875
LEOFF 1	.001588%	(\$16,361)
LEOFF 2	.024847%	(\$144,518)
VFFRPF	.002944%	(\$15,813)

LEOFF Plan 1

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

LEOFF Plan 2

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

NOTE 6 - OTHER DISCLOSURES**A. Significant Commitments or Obligations****1. Construction Commitment**

The City has a significant construction project in progress as of December 31, 2016. The project is known as the "College Avenue/Rose Street Reconstruction" (CARS) project. At year end the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
CARS (Construction)	\$10,872,791	\$501,377
CARS (Construction Engineering & Inspection)	\$1,126,912	\$248,688
Total Committed		\$750,065

The committed balance of \$750,065 will be funded with reimbursement commitments from third parties and Ending Fund Balances of the various City Funds benefited by the project.

2. OPEB

The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include medical, vision, dental, health insurance, nursing care, chiropractic, pharmacy, etc. One retiree received benefits during the year and \$5,077 was paid out for those benefits during the year.

B. Subsequent Events

1. On April 21, 2017, the city administrator approved an amendment to the Construction Engineering & Inspection contract related to the CARS project (Note 6A1) authorizing an additional \$97,300 in services. This additional amount falls within the already council-approved contingency and will be paid for with Ending Fund Balance.

**City of College Place
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO Bond - 08/2008 (1)	4/9/2023	1,017,389	-	93,938	923,451
251.11	LTGO Bond - 06/2015	6/1/2025	200,554	248,204	44,876	403,882
251.12	ULTGO Bond - 2/2014	12/1/2023	6,305,000	-	275,000	6,030,000
263.83	DOE SRF L9900018A - 12/1998	2/1/2021	1,367,675	-	248,668	1,119,007
263.83	DOE SRF L9900018B - 12/1998	2/1/2022	68,250	-	10,500	57,750
Total General Obligation Debt/Liabilities:			8,958,867	248,204	672,982	8,534,089
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Water/Sewer Revenue Bond - 08/2007 (2)	12/1/2022	620,000	-	80,000	540,000
259.12	Compensated Absences		363,108	-	90,686	272,422
263.88	PWTF PW-98-791-015 - 04/1998	7/1/2018	1,122,127	-	374,042	748,085
263.88	PWTF PW05-691-010 - 04/2005	7/1/2025	1,688,853	-	168,885	1,519,968
263.88	PWTF DWSRF 04-65104-005 - 03/2006	10/1/2025	875,996	-	87,599	788,397
263.88	PWTF PC08-951-011 - 03/2008	7/1/2028	3,297,639	-	253,664	3,043,975
264.30	Net Pension Liability		1,372,151	13,579	-	1,385,730
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,339,873	13,579	1,054,876	8,298,576
Total Liabilities:			18,298,740	261,783	1,727,858	16,832,665

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov