



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements and Federal Single Audit  
Report**

**City of Moxee**

**Yakima County**

**For the period January 1, 2016 through December 31, 2017**

**Published August 20, 2018**

**Report No. 1021978**





**Office of the Washington State Auditor  
Pat McCarthy**

August 20, 2018

Mayor and City Council  
City of Moxee  
Moxee, Washington

**Report on Financial Statements and Federal Single Audit**

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

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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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Moxee  
Yakima County  
January 1, 2017 through December 31, 2017**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Moxee are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**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 Moxee  
Yakima County  
January 1, 2016 through December 31, 2017**

Mayor and City Council  
City of Moxee  
Moxee, 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 Moxee, Yakima County, Washington, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 13, 2018.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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Pat McCarthy

State Auditor

Olympia, WA

August 13, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Moxee  
Yakima County  
January 1, 2017 through December 31, 2017**

Mayor and City Council  
City of Moxee  
Moxee, Washington

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

We have audited the compliance of the City of Moxee, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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

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

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

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 13, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Moxee Yakima County January 1, 2016 through December 31, 2017**

Mayor and City Council  
City of Moxee  
Moxee, Washington

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

We have audited the accompanying financial statements of the City of Moxee, Yakima County, Washington, for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

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

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

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

Our responsibility is to express opinions 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 Moxee 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 Moxee, for the years ended December 31, 2017 and 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 Moxee, as of December 31, 2017 and 2016, 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 opinions on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The 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 August 13, 2018 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 13, 2018

## **FINANCIAL SECTION**

**City of Moxee  
Yakima County  
January 1, 2016 through December 31, 2017**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017  
Fund Resources and Uses Arising from Cash Transactions – 2016  
Notes to Financial Statements – 2017  
Notes to Financial Statements – 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2017  
Schedule of Liabilities – 2016  
Schedule of Expenditures of Federal Awards – 2017  
Notes to the Schedule of Expenditures of Federal Awards – 2017



**City of Moxee**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>301 Capital Projects</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	571,068	-	-	-
30880	Unreserved	5,214,413	1,919,480	428,099	176,502
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,314,319	1,072,298	155,704	-
320	Licenses and Permits	102,220	102,220	-	-
330	Intergovernmental Revenues	1,624,606	165,341	89,812	-
340	Charges for Goods and Services	1,574,403	34,840	29,181	-
350	Fines and Penalties	16,010	16,010	-	-
360	Miscellaneous Revenues	152,780	93,565	2,285	860
Total Revenues:		4,784,337	1,484,273	276,982	860
<b>Expenditures</b>					
510	General Government	365,586	365,586	-	-
520	Public Safety	807,359	807,359	-	-
530	Utilities	1,141,985	-	-	-
540	Transportation	183,719	-	183,719	-
550	Natural and Economic Environment	166,160	117,908	-	-
560	Social Services	776	776	-	-
570	Culture and Recreation	127,997	127,997	-	-
Total Expenditures:		2,793,584	1,419,627	183,719	-
Excess (Deficiency) Revenues over Expenditures:		1,990,756	64,648	93,263	860
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	598,000	-	-	98,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	23,106	23,106	-	-
381, 395, 398	Other Resources	72,713	2,950	20,542	-
Total Other Increases in Fund Resources:		693,819	26,056	20,542	98,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,495,517	93,995	22,672	77,336
591-593, 599	Debt Service	278,123	-	-	-
597	Transfers-Out	598,000	98,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	23,136	23,136	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,394,776	215,131	22,672	77,336
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(710,201)</b>	<b>(124,427)</b>	<b>91,133</b>	<b>21,524</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	160,116	-	-	-
5088000	Unreserved	4,915,162	1,795,051	519,233	198,025
<b>Total Ending Cash and Investments</b>		<b>5,075,278</b>	<b>1,795,051</b>	<b>519,233</b>	<b>198,025</b>

The accompanying notes are an integral part of this statement.

**City of Moxee**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>302 Economic Development</b>	<b>303 DCD- Housing Rehab</b>	<b>305 City Street Construction</b>	<b>401 Water/Sewer Operating Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	571,068	-	-	-
30880	Unreserved	-	29,118	31,262	2,360,903
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	86,316	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,369,453	-
340	Charges for Goods and Services	-	-	-	1,037,757
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,762	6,252	81	46,659
Total Revenues:		88,079	6,252	1,369,534	1,084,416
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	695,639
540	Transportation	-	-	-	-
550	Natural and Economic Environment	48,252	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		48,252	-	-	695,639
Excess (Deficiency) Revenues over Expenditures:		39,826	6,252	1,369,534	388,777
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	500,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	49,221	-	-	-
Total Other Increases in Fund Resources:		49,221	-	-	500,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	1,396,421	905,093
591-593, 599	Debt Service	-	-	-	278,123
597	Transfers-Out	500,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		500,000	-	1,396,421	1,183,216
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(410,953)</b>	<b>6,252</b>	<b>(26,887)</b>	<b>(294,439)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	160,116	-	-	-
5088000	Unreserved	-	35,370	4,374	2,066,464
<b>Total Ending Cash and Investments</b>		<b>160,116</b>	<b>35,370</b>	<b>4,374</b>	<b>2,066,464</b>

**City of Moxee**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>402 Pressurized Irrigation System</b>	<b>405 Garbage Fund</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	138,724	130,325
388 / 588	Prior Period Adjustments, Net	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	43,325	429,300
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	725	592
Total Revenues:		44,049	429,892
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	21,447	424,900
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		21,447	424,900
Excess (Deficiency) Revenues over Expenditures:		22,603	4,992
<b>Other Increases in Fund Resources</b>			
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:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>22,603</b>	<b>4,992</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	-
5088000	Unreserved	161,327	135,317
<b>Total Ending Cash and Investments</b>		<b>161,327</b>	<b>135,317</b>

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>301 Capital Projects</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	5,608,682	1,906,684	396,939	161,040
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,273,961	1,050,578	150,251	-
320	Licenses and Permits	100,531	100,531	-	-
330	Intergovernmental Revenues	631,975	144,568	86,135	-
340	Charges for Goods and Services	1,500,296	29,312	-	-
350	Fines and Penalties	14,021	14,021	-	-
360	Miscellaneous Revenues	215,249	100,620	1,082	15,580
Total Revenues:		3,736,033	1,439,629	237,468	15,580
<b>Expenditures</b>					
510	General Government	367,129	367,129	-	-
520	Public Safety	732,405	732,405	-	-
530	Utilities	1,203,916	-	-	-
540	Transportation	189,308	-	189,308	-
550	Natural and Economic Environment	122,035	82,533	-	-
560	Social Services	1,013	1,013	-	-
570	Culture and Recreation	118,286	118,286	-	-
Total Expenditures:		2,734,093	1,301,367	189,308	-
Excess (Deficiency) Revenues over Expenditures:		1,001,941	138,264	48,160	15,580
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	27,000	-	-	10,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	20,314	20,314	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		47,314	20,314	-	10,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	518,697	89,439	-	10,119
591-593, 599	Debt Service	306,502	26,084	-	-
597	Transfers-Out	27,000	10,000	17,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	20,256	20,256	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		872,454	145,779	17,000	10,119
<b>Increase (Decrease) in Cash and Investments:</b>		<b>176,801</b>	<b>12,799</b>	<b>31,160</b>	<b>15,461</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	571,068	-	-	-
5088000	Unreserved	5,214,413	1,919,480	428,099	176,502
<b>Total Ending Cash and Investments</b>		<b>5,785,481</b>	<b>1,919,480</b>	<b>428,099</b>	<b>176,502</b>

The accompanying notes are an integral part of this statement.

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

		<b>302 Economic Development</b>	<b>303 Dept of Community &amp; Economic</b>	<b>305 City Street Construction</b>	<b>401 Water/Sewer Operating Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	535,864	29,036	14,868	2,329,665
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	73,133	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	270,340	130,932
340	Charges for Goods and Services	-	-	-	1,012,048
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,573	83	19	95,615
Total Revenues:		74,706	83	270,360	1,238,595
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	778,767
540	Transportation	-	-	-	-
550	Natural and Economic Environment	39,501	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		39,501	-	-	778,767
Excess (Deficiency) Revenues over Expenditures:		35,205	83	270,359	459,828
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	17,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	17,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	270,966	148,173
591-593, 599	Debt Service	-	-	-	280,417
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	270,966	428,590
<b>Increase (Decrease) in Cash and Investments:</b>		<b>35,205</b>	<b>83</b>	<b>16,393</b>	<b>31,238</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	571,068	-	-	-
5088000	Unreserved	-	29,118	31,262	2,360,903
<b>Total Ending Cash and Investments</b>		<b>571,068</b>	<b>29,118</b>	<b>31,262</b>	<b>2,360,903</b>

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

		<b>402 Pressurized Irrigation System</b>	<b>405 Garbage Fund</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	116,285	118,301
388 / 588	Prior Period Adjustments, Net	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	43,310	415,626
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	344	333
Total Revenues:		43,654	415,959
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	21,215	403,935
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		21,215	403,935
Excess (Deficiency) Revenues over Expenditures:		22,439	12,024
<b>Other Increases in Fund Resources</b>			
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:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>22,439</b>	<b>12,024</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	-
5088000	Unreserved	138,724	130,325
<b>Total Ending Cash and Investments</b>		<b>138,724</b>	<b>130,325</b>

**City of Moxee**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2017**

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

The City of Moxee was incorporated in 1921 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 of Moxee is a general purpose local government and provides public safety, street improvements, parks and general administration services. In addition, the City owns and operates a water system and sewer collection system.

The City of Moxee 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 government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the government. 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 government.

### 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.

#### Internal Service Funds

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

### 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 of Moxee 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 Moxee adopts annual appropriated budgets for 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 budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense (General)	\$1,678,600	\$1,611,627	\$66,973
City Streets	\$231,650	\$223,719	\$7,931
Capital Projects	\$128,000	\$77,336	\$50,664
Economic Development	\$554,500	\$548,252	\$6,248
City Street Construction	\$1,992,000	\$1,396,421	\$595,579
Water/Sewer	\$1,642,550	\$1,573,762	\$68,788
Pressurized Irrigation System	\$32,700	\$21,447	\$11,253
Garbage	\$441,800	\$424,900	\$16,900
Capital Facilities Projects	\$0	\$0	\$0
Water Capital Improvements	\$1,360,000	\$905,093	\$454,907
Equipment Reserves	\$134,000	\$116,667	\$17,333
	<hr/> \$8,195,800	<hr/> \$6,899,223	<hr/> \$1,296,577



Budgeted amounts are authorized to be transferred between department 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 Moxee's legislative body.

During the year 2017, the 2017 Final Budget had total amendments in the following funds:

Fund 001	Current Expense	\$ 43,000.00
Fund 301	Capital Projects	\$ 8,000.00
Fund 302	Economic Development	\$ 515,000.00
Fund 430	Water Capital Improvements	<u>\$ 555,000.00</u>
		\$1,121,000.00

All amendments were for unanticipated expenditures of which there were sufficient revenues and cash reserves to cover the cost of the unforeseen expenditures.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 20 days and is payable upon separation or retirement. Sick leave may be accumulated up to 480 hours. Upon retirement or death sick leave is paid at 8 hours per 32 hours of sick time (4 to 1). Leave payments are recognized as expenditure when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. 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 Ordinance or Resolution of the City Council. When expenditures that meet the restrictions are incurred, the City of Moxee intends to use reserved resources first before using unreserved funds.

Reservations of Ending Cash and Investments consist of \$160,116 in the Economic Development Fund 302.

## I. Risk Management

The City of Moxee is a member of 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, 2017, there are 201 members in the program.

The program 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, which 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 \$1,784,067.00.

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.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption

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, 2017, were \$1,501,903.83.

## **Note 2 – Deposits and Investments**

It is the City of Moxee'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. All investments are insured, registered or held by the City of Moxee or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2017 are as follows:

Type of Investment	City of Moxee's Own Investments	Investments held by the City of Moxee as an agent for other local governments, individuals or private organizations.	Total
LGIP	\$4,007,515.82	\$0.00	\$4,007,515.82
Money Market Account	<u>\$ 611,293.24</u>	<u>\$0.00</u>	<u>\$611,293.24</u>
Total	\$4,618,809.06	\$0.00	\$4,618,809.06

## **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 City of Moxee. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Moxee's regular levy for the year 2017 was \$1.47977390 per \$1,000 on an assessed valuation of \$319,113,238 for a total regular levy of \$472,215.44.

## **Note 4 – Debt Service Requirements**

### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Moxee and summarizes the City of Moxee's debt transactions for year ended December 31, 2017.

The debt service requirements for Public Works Trust Fund loans, SIED loan and DWSRF loan are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$239,958.05	\$35,870.40	\$275,828.45
2019	\$240,635.90	\$32,898.09	\$273,533.99
2020	\$218,966.91	\$29,909.22	\$248,876.13
2021	\$219,678.24	\$27,350.68	\$247,028.92
2022	\$220,406.93	\$24,774.79	\$245,181.72
2023-2027	\$1,013,602.36	\$84,597.70	\$1,098,200.06
2028-2032	\$449,069.35	\$33,680.20	\$482,749.55
2033-2037	\$179,627.74	\$4,041.63	\$183,669.37
<b>TOTALS</b>	<b>\$2,781,945.48</b>	<b>\$273,122.71</b>	<b>\$3,055,068.19</b>

## **Note 5 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all City of Moxee’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 PERS 2, PERS 3 and LEOFF2.

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](http://www.drs.wa.gov).

The City of Moxee 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](http://www.ofm.wa.gov).

As of June 30, 2017, the City of Moxee's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities (09), was as follows:

	Employer Contribution	Allocation %	Liability
PERS 1 UAAL	20,597	.003424%	\$162,471
PERS 2/3	26,902	.004404%	\$153,018
	Net Pension Liability		\$315,489

As of June 30, 2017, the City of Moxee's proportionate share of collective Pension Assets was as follows:

	Employer Contribution	Allocation %	Assets
LEOFF 1		.000429%	-\$6,509
LEOFF 2	20,219	.0127990%	-\$177,609
	Net Pension Assets		-\$184,118

#### LEOFF Plan 2

The City of Moxee 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**

Aho Construction I Inc. v. City of Moxee, Yakima County Superior Court case. This matter relates to a land use petition under RCW Chapter 36.70.C. Aho is the applicant for the plat of Rose's Place that was the subject of the City of Moxee land use decision made by the City Council at a public hearing on Feb 9, 2017 when the City Council adopted the Hearings Examiner's decision dated January 3, 2017. Aho seeks in this petition to challenge the land use decision as containing erroneous interpretation of the law, clearly erroneous application of the law to the facts lack of substantial evidence being outside the scope of authority and violating their constitutional rights. The record demonstrates a well reasoned decision by the Council and legal counsel states the City has good standing. The City is part of an insurance pool and the City's insurance pool has assigned an attorney to defend against the LUPA claim. As a consequence, it is likely that the insurance pool will cover the costs and pay any judgements, in the event there is an adverse decision against the City.

Fund 303 is listed as Department of Community and Economic Development (Department of Commerce). The fund was created for a Housing Rehabilitation Grant Program through the Department of Community and Economic Development. This program provided qualified homeowners financial assistance for weatherization improvements and rehabilitation projects for their homes in the form of grants/loans. Many of these loans were not required to be repaid until the homes were sold. In 2018, Fund 303 was closed and the remaining proceeds were transferred to Current Expense.

In April of 2017 the City of Moxee was petitioned by Yvonne Dorais and adjacent property owners to annex approximately 29 acres lying north of the City limits. The City Council of the City of Moxee, Washington filed a Notice of Intention to annex certain real property with the Yakima County Boundary Review Board and after the 45 day filing period the Yakima County Boundary Review Board did not invoke jurisdiction and thereby deemed the annexation approved. The annexation of the 6 parcels, known as the Dorais Annexation became effective on September 12, 2017.

**City of Moxee**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2016**

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

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- Ending balances are not presented using the classifications defined in GAAP.

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Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

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### 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 government on a cost reimbursement basis.

#### 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 of Moxee 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 Moxee adopts annual appropriated budgets for 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 budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense (General)	\$1,552,150	\$1,427,451	\$124,699
City Streets	\$231,150	\$211,308	\$19,842
Capital Projects	\$40,000	\$10,119	\$29,881
Economic Development	\$47,500	\$39,501	\$7,999
City Street Construction	\$375,000	\$270,966	\$104,034
Water/Sewer	\$1,105,950	\$1,059,678	\$46,272
Pressurized Irrigation System	\$42,700	\$21,215	\$21,485
Garbage	\$423,000	\$403,935	\$19,065
Capital Facilities Projects	\$53,000	\$52,507	\$493
Water Capital Improvements	\$220,000	\$148,173	\$71,827
Equipment Reserves	<u>\$90,000</u>	<u>\$89,439</u>	<u>\$561</u>
	\$4,180,450	\$3,734,291	\$446,159

Budgeted amounts are authorized to be transferred between department with in 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 Moxee's legislative body.

During the year 2016, the 2016 Final Budget had total amendments in the following funds:

Fund 101	Streets	\$ 20,000.00
Fund 302	Economic Development	\$ 10,000.00
Fund 401	Water / Sewer	\$ 27,000.00
Fund 425	Capital Facilities	\$ 7,000.00
Fund 430	Water Capital Improvements	<u>\$150,000.00</u>
		\$214,000.00

All amendments were for unanticipated expenditures of which there were sufficient revenues and cash reserves to cover the cost of the unforeseen expenditures.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 20 days and is payable upon separation or retirement. Sick leave may be accumulated up to 480 hours. Upon retirement or death sick leave is paid at 8 hours per 32 hours of sick time (4 to 1). Leave payments are recognized as expenditure when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

The City of Moxee is a member of 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.

The program 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, which 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.

#### I. 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 Ordinance or Resolution of the City Council. When expenditures that meet the restrictions are incurred, the City of Moxee intends to use reserved resources first before using unreserved funds.

Reservations of Ending Cash and Investments consist of \$571,068 in the Economic Development Fund 302.

### **Note 2 – Deposits and Investments**

It is the City of Moxee'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. All investments are insured, registered or held by the City of Moxee or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

Type of Investment	City of Moxee's Own Investments	Investments held by the City of Moxee as an agent for other local governments, individuals or private organizations.	Total
Money Market Account	\$5,604,108.65	\$0	\$5,604,108.65

### **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 City of Moxee. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Moxee's regular levy for the year 2016 was \$1.50459244 per \$1,000 on an assessed valuation of \$299,629,645 for a total regular levy of \$450,820.50.

### **Note 4 – Debt Service Requirements**

#### **Debt Service**

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

The debt service requirements for Public Works Trust Fund loans, SIED loans and DWSRF loan are as follows:

Year	Principal	Interest	Total
2017	\$239,296.33	\$38,826.61	\$278,122.94
2018	\$239,958.05	\$35,870.40	\$275,828.45
2019	\$240,635.90	\$32,898.09	\$273,533.99
2020	\$218,966.91	\$29,909.22	\$248,876.13
2021	\$219,678.24	\$27,350.68	\$247,028.92
2022-2026	\$1,109,683.75	\$97,752.75	\$1,207,436.50
2027-2031	\$483,581.02	\$41,258.32	\$524,839.34
2032-2036	\$269,441.61	\$8,083.25	\$277,524.86
TOTALS	\$3,021,241.81	\$311,949.32	\$3,333,191.13

## **Note 5 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all City of Moxee'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 PERS 2, PERS 3 and LEOFF2.

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](http://www.drs.wa.gov).

The City of Moxee 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](http://www.ofm.wa.gov).

As of June 30, 2016, the City of Moxee's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities (09), was as follows:

	Allocation %	Liability
PERS 1 UAAL	.003408%	\$183,026
PERS 2/3	.004373%	\$220,177
Net Pension Liability		\$403,203

As of June 30, 2016, the City of Moxee's proportionate share of collective Pension Assets was as follows:

	Allocation %	Assets
LEOFF 1	.000423%	-\$4,358
LEOFF 2	.0101680%	-\$59,140
Net Pension Assets		-\$63,498

### **LEOFF Plan 2**

The City of Moxee 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**

Aho Construction I Inc. v. City of Moxee, Yakima County Superior Court case. This matter relates to a land use petition under RCW Chapter 36.70.C. Aho is the applicant for the plat of Roses's Place that was the subject of the City of Moxee land use decision made by the City Council at a public hearing on Feb 9, 2017 when the City Council adopted the Hearings Examiner's decision dated January 3, 2017. Aho seeks in this petition to challenge the land use decision as containing erroneous interpretation of the law, clearly erroneous application of the law to the facts lack of substantial evidence being outside the scope of authority and violating their constitutional rights. The record demonstrates a well reasoned decision by the Council and legal counsel states the City has good standing. The City is part of an insurance pool and the City's insurance pool has assigned an attorney to defend against the LUPA claim. As a consequence, it is likely that the insurance pool will cover the costs and pay any judgements, in the event there is an adverse decision against the City.

Fund 303 is listed as Department of Community and Economic Development (Department of Commerce). The fund was created for a Housing Rehabilitation Grant Program through the Department of Community and Economic Development. This program provided qualified homeowners financial assistance for weatherization improvements and rehabilitation projects for their homes in the form of grants/loans. Many of these loans were not required to be repaid until the homes were sold. In 2018, Fund 303 was closed and the remaining proceeds were transferred to Current Expense.

**City of Moxee  
Schedule of Liabilities  
For the Year Ended December 31, 2017**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.88	1999 PWTF Loan PW-99-791-022	7/1/2019	67,090	-	22,363	44,727
263.88	2006 PWTF Loan - PW-06-962-027	7/1/2026	1,000,000	-	100,000	900,000
263.82	2013 DWSRF Loan DM 11-952-025	10/1/2035	1,616,650	-	89,814	1,526,836
263.86	2012 SIED Loan YC-TB-12	6/1/2027	337,502	-	27,119	310,383
259.12	Compensated absences		33,680	27,710	-	61,390
264.30	Penson Liabilities		403,203	-	87,714	315,489
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,458,125</b>	<b>27,710</b>	<b>327,010</b>	<b>3,158,825</b>
<b>Total Liabilities:</b>			<b>3,458,125</b>	<b>27,710</b>	<b>327,010</b>	<b>3,158,825</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.85	2004 SIED Loan YC-BE-04	6/1/2016	25,051	-	25,051	-
<b>Total General Obligation Debt/Liabilities:</b>			<b>25,051</b>	<b>-</b>	<b>25,051</b>	<b>-</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.88	1999 PWTF Loan PW-99-791-022	7/1/2019	89,454	-	22,363	67,090
263.88	2006 PWTF Loan PW-06-962-027	7/1/2026	1,100,000	-	100,000	1,000,000
263.82	2013 DWSRF Loan DM 11-952-025	10/1/2035	1,706,464	-	89,814	1,616,650
263.86	2012 SIED Loan YC-TB-12	6/1/2027	363,975	-	26,473	337,502
259.12	Compensated Absences		30,131	3,549	-	33,680
264.30	Pension Liabilities		363,596	39,607	-	403,203
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,653,619</b>	<b>43,156</b>	<b>238,650</b>	<b>3,458,125</b>
<b>Total Liabilities:</b>			<b>3,678,670</b>	<b>43,156</b>	<b>263,701</b>	<b>3,458,125</b>

**City of Moxee**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	STPUS-9939 (023)	1,093,392	-	1,093,392	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	STPUS-4669 (001)	379	-	379	1,2
Total Highway Planning and Construction Cluster:				1,093,771	-	1,093,771	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA St Dept of Transportation/National Highway Traffic Safety Administration/WA Association of Sheriffs and Police Chiefs)	State and Community Highway Safety	20.600	2016-2017 Traffic Safety Equipment Grant	5,084	-	5,084	1,2
Total Highway Safety Cluster:				5,084	-	5,084	
Total Federal Awards Expended:				1,098,855	-	1,098,855	

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

**City of Moxee**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

**Note 1 – Basis of Accounting**

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

**Note 2 – Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Moxee's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

The City of Moxee has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>