



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Othello

Adams County

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

Published August 20, 2018

Report No. 1021982





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

August 20, 2018

Mayor and City Council
City of Othello
Othello, Washington

Report on Financial Statements

Please find attached our report on the City of Othello'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

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	37

**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 Othello
Adams County
January 1, 2016 through December 31, 2017**

Mayor and City Council
City of Othello
Othello, 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 Othello, Adams 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 14, 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 14, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Othello Adams County January 1, 2016 through December 31, 2017

Mayor and City Council
City of Othello
Othello, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Othello, Adams 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 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 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 Othello 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 Othello, 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 Othello, as of December 31, 2017 and 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 audits were performed for the purpose of forming opinions on the financial statements taken as a whole. 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 14, 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 14, 2018

FINANCIAL SECTION

**City of Othello
Adams 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
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary 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

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

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREET FUND	111 RESTRICTED DONATIONS
Beginning Cash and Investments					
30810	Reserved	156,234	-	-	6,028
30880	Unreserved	11,402,240	1,827,344	915,749	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	5,123,361	4,243,894	767,660	-
320	Licenses and Permits	150,632	147,618	3,014	-
330	Intergovernmental Revenues	2,796,833	376,306	1,474,545	-
340	Charges for Goods and Services	6,310,306	273,913	-	-
350	Fines and Penalties	33,474	1,269	-	-
360	Miscellaneous Revenues	172,036	87,459	4,299	2,314
Total Revenues:		14,586,642	5,130,459	2,249,518	2,314
Expenditures					
510	General Government	457,015	457,015	-	-
520	Public Safety	2,891,524	2,885,104	-	6,420
530	Utilities	3,930,778	48	-	-
540	Transportation	706,547	-	706,547	-
550	Natural and Economic Environment	341,784	285,149	-	-
560	Social Services	2,089	2,089	-	-
570	Culture and Recreation	1,172,429	1,149,229	-	-
Total Expenditures:		9,502,165	4,778,633	706,547	6,420
Excess (Deficiency) Revenues over Expenditures:		5,084,476	351,825	1,542,971	(4,106)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	2,160,000	-	-	-
397	Transfers-In	596,267	100,000	194,000	-
385	Special or Extraordinary Items	54,438	-	-	-
386 / 389	Custodial Activities	5,533	5,533	-	-
381, 395, 398	Other Resources	300,000	-	300,000	-
Total Other Increases in Fund Resources:		3,116,238	105,533	494,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,713,632	403,841	1,795,162	-
591-593, 599	Debt Service	2,448,497	-	-	-
597	Transfers-Out	596,267	207,770	288,497	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	57,515	10,965	-	-
581	Other Uses	300,000	-	-	-
Total Other Decreases in Fund Resources:		7,115,912	622,575	2,083,659	-
Increase (Decrease) in Cash and Investments:		1,084,802	(165,217)	(46,688)	(4,106)
Ending Cash and Investments					
5081000	Reserved	114,008	-	-	1,922
5088000	Unreserved	12,529,269	1,662,128	869,062	-
Total Ending Cash and Investments		12,643,277	1,662,128	869,062	1,922

The accompanying notes are an integral part of this statement.

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

		114 TOURISM FUND	195 Transportation Improvement	220 DEBT SERVICE - PWTF	225 G.O. BOND MAIN STREET PROJ.
Beginning Cash and Investments					
30810	Reserved	46,942	-	-	-
30880	Unreserved	-	-	-	0
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	50,514	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	336	-	-	-
Total Revenues:		50,850	-	-	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	56,635	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		56,635	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(5,785)	-	-	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	2,160,000
397	Transfers-In	-	-	30,671	257,826
385	Special or Extraordinary Items	-	54,438	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	54,438	30,671	2,417,826
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	30,671	2,417,826
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	30,671	2,417,826
Increase (Decrease) in Cash and Investments:		(5,785)	54,438	(0)	(0)
Ending Cash and Investments					
5081000	Reserved	41,157	54,438	-	-
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		41,157	54,438	-	-

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

		335 REAL ESTATE EXCISE TAX FUND	401 WATER UTILITY FUND	404 SEWER UTILITY FUND	406 SOLID WASTE DISPOSAL
Beginning Cash and Investments					
30810	Reserved	103,264	-	-	-
30880	Unreserved	-	1,694,728	6,924,162	40,256
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	61,294	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	214,008	731,974	-
340	Charges for Goods and Services	-	2,907,144	1,836,169	1,293,079
350	Fines and Penalties	-	32,205	-	-
360	Miscellaneous Revenues	134	15,679	61,512	302
Total Revenues:		61,428	3,169,037	2,629,655	1,293,382
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	2,049,172	696,603	1,184,955
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	23,200	-	-	-
Total Expenditures:		23,200	2,049,172	696,603	1,184,955
Excess (Deficiency) Revenues over Expenditures:		38,228	1,119,864	1,933,052	108,426
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	13,770	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	13,770	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	25,000	482,921	984,084	22,624
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	100,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	46,551
581	Other Uses	-	-	300,000	-
Total Other Decreases in Fund Resources:		125,000	482,921	1,284,084	69,175
Increase (Decrease) in Cash and Investments:		(86,772)	650,713	648,968	39,251
Ending Cash and Investments					
5081000	Reserved	16,491	-	-	-
5088000	Unreserved	-	2,345,442	7,573,130	79,508
Total Ending Cash and Investments		16,491	2,345,442	7,573,130	79,508

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

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREET FUND	111 RESTRICTED DONATIONS
Beginning Cash and Investments					
30810	Reserved	132,255	-	-	8,588
30880	Unreserved	11,306,082	2,003,751	663,290	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	4,340,921	3,504,829	725,102	-
320	Licenses and Permits	232,201	230,731	1,470	-
330	Intergovernmental Revenues	2,205,664	384,462	1,718,124	-
340	Charges for Goods and Services	5,966,482	374,122	84,665	-
350	Fines and Penalties	31,693	1,279	-	-
360	Miscellaneous Revenues	144,866	71,642	2,172	6,440
Total Revenues:		12,921,827	4,567,064	2,531,533	6,440
Expenditures					
510	General Government	440,352	440,352	-	-
520	Public Safety	2,763,156	2,761,656	-	1,500
530	Utilities	3,490,419	123	-	-
540	Transportation	598,886	-	598,886	-
550	Natural and Economic Environment	282,691	243,104	-	-
560	Social Services	2,066	2,066	-	-
570	Culture and Recreation	807,369	807,369	-	-
Total Expenditures:		8,384,940	4,254,671	598,886	1,500
Excess (Deficiency) Revenues over Expenditures:		4,536,887	312,396	1,932,647	4,940
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	490,177	106,515	95,195	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	4,465	4,465	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		494,642	110,980	95,195	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,964,210	412,233	1,610,475	-
591-593, 599	Debt Service	406,644	-	-	-
597	Transfers-Out	490,177	179,810	164,908	7,500
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	50,362	7,737	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,911,392	599,780	1,775,383	7,500
Increase (Decrease) in Cash and Investments:		120,137	(176,404)	252,458	(2,560)
Ending Cash and Investments					
5081000	Reserved	156,234	-	-	6,028
5088000	Unreserved	11,402,240	1,827,344	915,749	-
Total Ending Cash and Investments		11,558,473	1,827,344	915,749	6,028

The accompanying notes are an integral part of this statement.

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

		114 TOURISM FUND	220 DEBT SERVICE - PWTF	225 G.O. BOND MAIN STREET PROJ.	335 REAL ESTATE EXCISE TAX FUND
Beginning Cash and Investments					
30810	Reserved	42,400	-	-	81,267
30880	Unreserved	-	0	0	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	43,896	-	-	67,094
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	233	-	-	126
Total Revenues:		44,130	-	-	67,219
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	39,587	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		39,587	-	-	-
Excess (Deficiency) Revenues over Expenditures:		4,542	-	-	67,220
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	30,817	244,091	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	30,817	244,091	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	30,817	244,091	-
597	Transfers-Out	-	-	-	45,223
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	30,817	244,091	45,223
Increase (Decrease) in Cash and Investments:		4,542	(0)	(0)	21,997
Ending Cash and Investments					
5081000	Reserved	46,942	-	-	103,264
5088000	Unreserved	-	-	0	-
Total Ending Cash and Investments		46,942	-	0	103,264

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

		401 WATER UTILITY FUND	404 SEWER UTILITY FUND	406 SOLID WASTE DISPOSAL
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	2,353,410	6,195,673	89,956
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	103,078	-	-
340	Charges for Goods and Services	2,720,190	1,603,477	1,184,029
350	Fines and Penalties	30,414	-	-
360	Miscellaneous Revenues	14,636	49,289	329
Total Revenues:		2,868,318	1,652,766	1,184,357
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,861,613	487,806	1,140,878
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,861,613	487,806	1,140,878
Excess (Deficiency) Revenues over Expenditures:		1,006,705	1,164,960	43,479
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	13,560	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		13,560	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	1,493,420	436,472	11,610
591-593, 599	Debt Service	131,735	-	-
597	Transfers-Out	53,792	-	38,945
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	42,625
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		1,678,947	436,472	93,180
Increase (Decrease) in Cash and Investments:		(658,682)	728,488	(49,701)
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	1,694,728	6,924,162	40,256
Total Ending Cash and Investments		1,694,728	6,924,162	40,256

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Agency
308	Beginning Cash and Investments	34,459	9,593	24,866
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	310,868	8,331	302,538
510-590	Deductions	336,981	9,577	327,404
	Net Increase (Decrease) in Cash and Investments:	(26,112)	(1,246)	(24,866)
508	Ending Cash and Investments	8,346	8,346	-

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	621 CITY - CUSTOMER DEPOSIT FUND	695 Transportation Benefit District Fund
308	Beginning Cash and Investments	8,497	8,497	-
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	24,866	-	24,866
380-390	Other Increases and Financing Sources	10,694	10,694	-
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	9,598	9,598	-
	Net Increase (Decrease) in Cash and Investments:	25,962	1,096	24,866
508	Ending Cash and Investments	34,459	9,593	24,866

The accompanying notes are an integral part of this statement.

City of Othello
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The City of Othello was incorporated on May 23, 1910 and operates under the laws of the state of Washington applicable to a second-class code city with a mayor-council form of government. The City of Othello is a general purpose local government and provides public safety, street improvement, parks and recreation, planning & zoning, and general administrative services. In addition, the City owns and operates water and sewer systems and contracts for garbage services.

The City of Othello 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 Fund

This fund is the primary operating fund of the city. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

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

Debt Service Funds

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

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. For Othello this would include the Water Utility, Sewer Utility, and Solid Waste Utility funds.

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that the city holds on behalf of others in a custodial capacity.

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 Othello 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 adopts an annual appropriated budget for all funds with the exception of Fund 621 Deposit Trust Fund and Fund 950 Retiree Vac/Sick Accrual Fund. 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:

2017 BUDGET BY FUND

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - GENERAL FUND	5,976,131	5,199,558	776,573
101 - STREET FUND	3,210,306	2,790,205	420,101

103 - PARK & RECREATION RESERVE FUND	29,000	29,000	0	
104 - REAL PROPERTY RESERVE FUND	0	0	0	
105 - LEOFF RESERVE FUND	0	0	0	
106 - FIRE EQUIPMENT RESERVE FUND	0	0	0	
107 - WATER RESERVE FUND	619,723	560,000	59,723	
108 - SEWER RESERVE FUND	0	0	0	
109 - SOLID WASTE RESERVE FUND	0	0	0	
110 - STREET RESERVE FUND	6,725	0	6,725	
111 - RESTRICTED DONATIONS FUND	3,300	6,420	(3,120)	*
112 - Crime Prevention Fund	12,900	8,467	4,433	
113 - Investigation Fund	1,000	183	817	
114 - TOURISM FUND	56,635	56,635	0	
140 - UTILITY TAXES FUND	1,856,574	1,870,762	(14,188)	**
220 - DEBT SERVICE - PWTF BROADWAY	30,672	30,671	1	
223 - DEBT SERVICE-SR24 PWTF LOAN	0	0	0	
225 - G.O. BOND MAIN STREET PROJ.	258,026	2,417,826	(2,159,800)	***
231 - G.O. REFUNDING BOND 2001	0	0	0	
305 - SIDEWALK CONSTRUCTION FUND	0	0	0	
310 - 2010 MAIN STREET PROJECT	0	0	0	
335 - REAL ESTATE EXCISE TAX FUND	148,200	148,200	0	
401 - WATER UTILITY FUND	3,584,530	3,132,093	452,437	
404 - SEWER UTILITY FUND	2,438,583	2,420,688	17,895	
406 - SOLID WASTE DISPOSAL FUND	1,254,271	1,254,130	141	
695 - TBD FUND	332,991	327,404	5,587	

* The Police Department received a \$5,000 donation for the purchase of PD squad car laptops. These dollars were restricted to this purpose and used as such.

** This Fund is rolled into the General fund for reporting purposes. During the year we keep it separate for accounting purposes. This fund was completely absorbed into the General Fund in 2017. This overage reflects transferring all remaining funds from this fund into the general fund.

*** We partially refinanced our Main Street GO Bond this year. Our actual debt payments made during the year totaled \$257,826.28, which was within budget. This overage is the result of recording the activities in escrow. See Note 5 & the Schedule of Liabilities (9).

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

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

The City of Othello does not have a capitalization policy. The capital assets of the city are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 200 hours (240 for the PD union employees) and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon retirement employees receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, *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 the 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:

Fund	Reserved	Purpose:
111	\$1,921.78	Donations
114	\$41,156.93	Tourism (Hotel/Motel Tax)
195	\$54,437.97	Transportation Improvement Fund
335	\$16,491.35	Real Estate Excise Tax fund

Note 2 - Deposits and Investments

It is the City'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 the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the City's name.

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

Type of Investment	Othello's own investments	Investments held by Othello as an agent for other local governments, individuals or private organizations	Total

WA State LGIP	\$2,892,639.51	\$ -	\$2,892,639.51
US Bank	\$6,026,913.14	\$ -	\$6,026,913.14
Total	\$8,919,552.65	\$ -	\$8,919,552.65

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

The City's regular levy for the year 2017 was \$3.147968 per \$1,000 on an assessed valuation of \$511,080,953 for a total regular levy of \$1,610,228.

Note 4 – Interfund Loans

The following Table Displays interfund loan activity during 2017:

Borrowing Fund	Lending Fund	Balance 1/1/2017	New Loans	Repayments	Balance 12/31/2017
Street Fund	Sewer Reserve Fund	\$ -	\$300,000	\$ -	\$ 300,000

Note 5 – Debt Service Requirements

Debt Service

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

The debt service requirements for general obligation bonds, revenue bonds and public works trust fund loans are as follows:

Year	Principal	Interest	Total
2018	\$ 209,211	\$ 91,457	\$ 300,667
2019	\$ 219,211	\$ 85,719	\$ 304,930
2020	\$ 224,211	\$ 79,386	\$ 303,597
2021	\$ 229,211	\$ 73,178	\$ 302,389
2022	\$ 239,211	\$ 66,795	\$ 306,006
2023-2027	\$ 1,261,842	\$ 223,019	\$ 1,484,861
2028-2031	\$ 1,025,000	\$ 62,540	\$ 1,087,540
Total	\$ 3,407,895	\$ 682,093	\$ 4,089,988

Debt Refunding

The City issued \$2,160,000 of general obligation refunding bonds to retire \$1,915,000 of existing 2010 series bonds. This refunding was undertaken to reduce total debt service payments over the next 14 years by \$555,423. The financial statements reflect other financing sources of \$2,160,000 and other financing uses of \$2,160,000 pertaining to this transaction.

Note 6 - Pension Plans

Substantially all City 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), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)).

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
PO Box 48380
Olympia, WA 98540-8380

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

At June 30, 2017, 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 UAAL	0.014035%	\$ 665,972
PERS 2/3	0.018052%	\$ 627,221
LEOFF 1	0.013377%	\$ (202,959)
LEOFF 2	0.034852%	\$ (483,633)

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 7 – Risk Management

The city of Othello is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 161 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

Note 8 – Transportation Benefit District (TBD)

As authorized pursuant to RCW 36.74.010, and by the passage of City Ordinance No. 1498 on October 23rd, 2017, the City of Othello assumed all the rights, powers, functions, and obligations of the District previously established, and the City of Othello is hereby vested with each and every right, power, function, and obligation granted to or possessed by the Othello Transportation Benefit District (TBD) under Chapter 36.73 RCW. By this assumption of the rights, powers, functions, and obligations of the District, the Othello Transportation Benefit District ceased to exist as a separate entity. Previously the TBD was reported as Fund 695 in these financial statements. It is now assumed by the City and reported as Fund 195.

City of Othello
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The City of Othello was incorporated on May 23, 1910 and operates under the laws of the state of Washington applicable to a second-class code city with a mayor-council form of government. The City of Othello is a general purpose local government and provides public safety, street improvement, parks and recreation, planning & zoning, and general administrative services. In addition, the City owns and operates water and sewer systems and contracts for garbage services.

The City of Othello 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 Fund

This fund is the primary operating fund of the city. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

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

Debt Service Funds

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

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. For Othello this would include the Water Utility, Sewer Utility, and Solid Waste Utility funds.

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that the city holds on behalf of others in a custodial capacity.

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 Othello 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 adopts an annual appropriated budget for all funds with the exception of Fund 621 Deposit Trust Fund and Fund 950 Retiree Vac/Sick Accrual Fund. 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:

2016 BUDGET BY FUND

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - GENERAL FUND	5,684,850	4,692,258	992,592
101 - STREET FUND	3,908,652	2,668,121	1,240,531

103 - PARK & RECREATION RESERVE FUND	146,500	146,500	0
104 - REAL PROPERTY RESERVE FUND	0	0	0
105 - LEOFF RESERVE FUND	0	0	0
106 - FIRE EQUIPMENT RESERVE FUND	0	0	0
107 - WATER RESERVE FUND	882,000	382,000	500,000
108 - SEWER RESERVE FUND	0	0	0
109 - SOLID WASTE RESERVE FUND	0	0	0
110 - STREET RESERVE FUND	0	0	0
111 - RESTRICTED DONATIONS FUND	9,350	9,000	350
112 - Crime Prevention Fund	12,700	5,922	6,778
113 - Investigation Fund	1,000	20	980
114 - TOURISM FUND	39,587	39,587	0
140 - UTILITY TAXES FUND	1,512,900	1,169,345	343,555
220 - DEBT SERVICE - PWTF BROADWAY	30,818	30,817	1
225 - G.O. BOND MAIN STREET PROJ.	244,591	244,091	500
335 - REAL ESTATE EXCISE TAX FUND	95,500	45,223	50,277
401 - WATER UTILITY FUND	3,828,625	3,546,708	281,917
404 - SEWER UTILITY FUND	1,475,685	1,475,278	407
406 - SOLID WASTE DISPOSAL FUND	1,245,520	1,234,058	11,462

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

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

The City of Othello does not have a capitalization policy. The capital assets of the city are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 200 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon retirement employees receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

The city of Othello is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

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 the

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 \$156,233.78 (City) + \$24,866 (TBD):

Fund	Reserved	Purpose:
111	\$6,027.81	Donations
114	\$46,942.12	Tourism (Hotel/Motel Tax)
135	\$103,263.85	Real Estate Excise Tax fund
695	\$24,866.00	Transportation Benefit District

Note 2 - Deposits and Investments

It is the City'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 the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the City's name.

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

Type of Investment	Othello's own investments	Investments held by Othello as an agent for other local governments, individuals or private organizations	Total
WA State LGIP	\$2,864,949.04	\$ -	\$2,864,949.04
US Bank	\$5,884,662.39	\$ -	\$5,884,662.39
Total	\$8,749,611.43	\$ -	\$8,749,611.43

Note 3 - Property Tax

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

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

The City's regular levy for the year 2016 was \$3.146892 per \$1,000 on an assessed valuation of \$496,605,844 for a total regular levy of \$1,559,063.

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 and summarizes the City's debt transactions for year ended December 31, 2016.

The debt service requirements for general obligation bonds, revenue bonds and public works trust fund loans are as follows:

Year	Principal	Interest	Total
2017	\$ 139,211	\$ 131,977	\$ 271,187
2018	\$ 144,211	\$ 128,118	\$ 272,329
2019	\$ 149,211	\$ 123,947	\$ 273,158
2020	\$ 154,211	\$ 119,301	\$ 273,512
2021	\$ 159,211	\$ 114,780	\$ 273,991
2022-2026	\$ 871,053	\$ 493,847	\$ 1,364,900
2027-2031	\$ 895,000	\$ 324,990	\$ 1,219,990
2032-2036	\$ 865,000	\$ 102,533	\$ 967,533
Total	\$ 3,377,105	\$ 1,539,493	\$ 4,916,598

Note 5 - Pension Plans

Substantially all City 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), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)).

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
PO Box 48380
Olympia, WA 98540-8380

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

At June 30, 2016, 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 UAAL	0.013362%	\$ 717,602
PERS 2/3	0.017147%	\$ 863,338
LEOFF 1	0.013189%	\$ (135,884)

LEOFF 2	0.036255%	\$ (210,870)
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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 – Transportation Benefit District (TBD)

The Othello City Council created the Othello Transportation Benefit District (reported as a blended component unit) as a quasi-municipal corporation, an independent taxing district, by ordinance 1366 on August 27, 2012. The District was created under the authority provided by RCW 35.21. The District is a governmental special-purpose entity governed by a Board of Directors, created for the sole purpose of acquiring, constructing, improving, providing and funding transportation improvements within the District.

The seven-member Board is composed of the seven members of the Othello City Council acting in an ex officio and independent capacity, which has the authority to exercise the statutory powers set forth in RCW 36.73. The President of the Board is the Mayor of the City; the Secretary of the Board is the City Clerk; and the Treasurer of the District is the City Finance Officer.

A ballot measure was proposed and approved in 2016 to authorize a sales tax of two-tenths of one percent (0.2%) to be collected by the District. The first 0.2% sales tax revenue (\$24,866) was received December 30, 2016.

The boundaries of the District are identical with the City of Othello city limits. The District operates under the laws of the State of Washington applicable to a Transportation Benefit District. The District uses cash basis accounting which is a departure from generally accepted accounting principles (GAAP). The District was added to the City's financial statements in 2016 as a blended component unit.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.87	PWTF - 2006 Broadway Reconstruction	6/1/2026	292,105	-	29,211	262,895
251.11	G.O. Bonds - Main Street (unrefunded)	12/1/2025	3,085,000	-	2,025,000	1,060,000
251.11	G.O. Bonds - Main Street (refunded)	12/1/2031	-	2,160,000	75,000	2,085,000
Total General Obligation Debt/Liabilities:			3,377,105	2,160,000	2,129,211	3,407,895
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Net Pension Liability		1,580,940	-	287,748	1,293,192
259.12	Compensated Absences		245,605	52,076	-	297,681
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,826,545	52,076	287,748	1,590,873
Total Liabilities:			5,203,650	2,212,076	2,416,959	4,998,767

City of Othello
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						
263.87	PWTF - 2006 Broadway Reconstruction	6/1/2026	321,316	-	29,211	292,105
251.11	G.O. Bonds - Main Street	12/1/2035	3,195,000	-	110,000	3,085,000
Total General Obligation Debt/Liabilities:			3,516,316	-	139,211	3,377,105
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Net Pension Liability		1,370,562	210,378	-	1,580,940
263.88	PWTF - Water Fund Loan	6/1/2016	127,898	-	127,898	-
259.12	Compensated Absences		220,734	24,870	-	245,605
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,719,195	235,248	127,898	1,826,545
Total Liabilities:			5,235,510	235,248	267,109	5,203,650

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.

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