

Washington State Auditor's Office
Financial Statements Audit Report

City of Tieton
Yakima County

Audit Period
January 1, 2009 through December 31, 2010

Report No. 1006959

Issue Date
December 27, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

December 27, 2011

Mayor
City of Tieton
Tieton, Washington

Report on Financial Statements

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

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

**City of Tieton
Yakima County
January 1, 2009 through December 31, 2010**

Status of Prior Audit Findings	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i>	2
Independent Auditor's Report on Financial Statements	4
Financial Section.....	6

Status of Prior Audit Findings

City of Tieton Yakima County January 1, 2009 through December 31, 2010

The status of findings contained in the prior years' audit reports of the City of Tieton is provided below:

1. The City of Tieton had inadequate internal controls over financial preparation.

Report No. 1003415, dated March 15, 2010

Background

Due to turnover in key financial positions, the City had difficulty maintaining an employee with the adequate level of experience for the position of City Treasurer. Duties of this position include preparing the financial statements. Further, City management did not have adequate oversight of the financial preparation process to ensure that financial statements and schedules agreed with source accounting records. Consequently, the City's financial statements submitted for audit contained serious errors that were not detected by management.

Status

The condition reported during the 2008/2009 audit has been resolved. City management strengthened controls over its financial reporting by:

- Hiring an outside and knowledgeable source to review all financial statements, bank reconciliations and the annual report and make recommendations to the Mayor, Staff and City Council.
- Providing additional training to staff involved in the preparation of the financial statements.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

City of Tieton
Yakima County
January 1, 2009 through December 31, 2010

Mayor
City of Tieton
Tieton, Washington

We have audited the financial statements of the City of Tieton, Yakima County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 30, 2011.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of management and the Mayor. 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, appearing to read "Brian Sonntag", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 30, 2011

Independent Auditor's Report on Financial Statements

**City of Tieton
Yakima County
January 1, 2009 through December 31, 2010**

Mayor
City of Tieton
Tieton, Washington

We have audited the accompanying financial statements of the City of Tieton, Yakima County, Washington, for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Tieton, for the years ended December 31, 2010 and 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Liabilities and Schedule of Long-

Term Debt 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 30, 2011

Financial Section

**City of Tieton
Yakima County
January 1, 2009 through December 31, 2010**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2010
Fund Resources and Uses Arising from Cash Transactions – 2009
Notes to Financial Statement – 2010
Notes to Financial Statement – 2009

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Liabilities – 2010
Schedule of Long-Term Debt – 2009

CITY OF TIETON

Page 1 of 5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		Total for All Funds	001-Current	101-Streets
			Expense	
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$2,301,655	\$346,748	\$275,606
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes	\$429,997	357,890	29,034
320	Licenses and Permits	11,392	11,392	0
330	Intergovernmental	72,952	45,830	25,883
340	Charges for Goods and Services	598,279	87,412	0
350	Fines and Penalties	18,175	18,175	0
360	Miscellaneous	30,300	3,588	859
370	Capital Contributions	0	0	0
390	Other Financing Sources	249,754	166,800	0
Total Revenues and Other Financing Sources		1,410,849	691,088	55,777
Total Resources		3,712,504	1,037,836	331,382
Operating Expenditures:				
510	General Government	123,008	123,008	0
520	Public Safety	257,101	245,120	0
530	Physical Environment	417,882	90,188	0
540	Transportation	64,234	0	64,234
550	Economic Environment	6,560	2,906	0
560	Mental and Physical Health	299	299	0
570	Culture and Recreational	21,316	21,316	0
Total Operating Expenditures		890,400	482,837	64,234
591-593	Debt Service	88,303	49,668	0
594-595	Capital Outlay	93,385	0	0
Total Expenditures		1,072,088	532,505	64,234
597-599	Other Financing Uses	82,954	0	800
Total Expenditures and Other Financing Uses		1,155,042	532,505	65,034
Excess (Deficit) of Resources Over Uses		2,557,462	505,331	266,348
380	Nonrevenues (Except 384)	127,414	54,231	0
580	Nonexpenditures (Except 584)	207,028	55,012	
Ending Cash and Investments:				
508.10	Reserved 1/	6,364		
508.80	Unreserved 1/	\$2,471,484	\$504,550	\$266,348

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF TIETON

Page 2 of 5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		400-Water/Sewer	301-Water/	103 CDBG
		includes Funds 403/404	Sewer Construct.	Rehab
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$710,455	\$643,253	\$160,394
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	510,867	0	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	8,173	7,793	5,173
370	Capital Contributions	0	0	0
390	Other Financing Sources	6,738	71,416	0
Total Revenues and Other Financing Sources		525,778	79,209	5,173
Total Resources		1,236,233	722,462	165,567
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	327,694	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		327,694	0	0
591-593	Debt Service	9,745	28,890	0
594-595	Capital Outlay	0	0	0
Total Expenditures		337,439	28,890	0
597-599	Other Financing Uses	82,154	0	0
Total Expenditures and Other Financing Uses		419,593	28,890	0
Excess (Deficit) of Resources Over Uses		816,640	693,572	165,567
380	Nonrevenues (Except 384)	2,228	0	0
580	Nonexpenditures (Except 584)	43,005	109,011	0
Ending Cash and Investments:				
508.10	Reserved 1/	6,364		
508.80	Unreserved 1/	\$769,499	\$584,561	\$165,567

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF TIETON
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		104-Fire	105-Equipment	106-Capital
		Reserve	Reserve	Improvement
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$18,550	\$31,928	\$38,575
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes	0	0	3,265
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	149	220	154
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	4,800	0
Total Revenues and Other Financing Sources		149	5,020	3,419
Total Resources		18,699	36,947	41,994
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		0	0	0
591-593	Debt Service	0	0	0
594-596	Capital Outlay	0	70,655	0
Total Expenditures		0	70,655	0
597-599	Other Financing Uses	0	0	0
Total Expenditures and Other Financing Uses		0	70,655	0
Excess (Deficit) of Resources Over Uses		18,699	(33,708)	41,994
380	Nonrevenues (Except 384)	0	70,955	0
580	Nonexpenditures (Except 584)	0	0	0
Ending Cash and Investments:				
508.10	Reserved 1/			
508.80	Unreserved 1/	\$18,699	\$37,247	\$41,994

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF TIETON

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		107-EMS	108-Public	406-Compost
			Safety (3/10)	Recycle
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments		\$55,198	\$28,671	(\$7,722)
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes	14,634	25,174	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	1,239
340	Charges for Goods and Services	0	0	0
350	Fines and Forfeits	0	0	0
360	Miscellaneous	0	0	0
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
Total Revenues and Other Sources		14,634	25,174	1,239
Total Resources		69,832	53,845	(6,484)
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	11,981	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreation	0	0	0
Total Operating Expenditures		0	11,981	0
591-593	Debt Service	0	0	0
594-595	Capital Outlay	0	22,730	0
Total Expenditures		0	34,711	0
597-599	Other Financing Uses	0	0	0
Total Expenditures and Other Financing Uses		0	34,711	0
Excess (Deficit) of Resources Over Uses		69,832	19,134	(6,484)
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
Ending Cash and Investments:				
508.10	Reserved 1/			
508.80	Unreserved 1/	\$69,832	\$19,134	(\$6,484)

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF TIETON
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

Page 5 of 5

For the Year Ended December 31, 2010

BARS CODE		109-Economic		
		Development		
		Actual Amount		
Beginning Cash and Investments		\$0		
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes	0		
320	Licenses and Permits	0		
330	Intergovernmental	0		
340	Charges for Goods and Services	0		
350	Fines and Forfeits	0		
360	Miscellaneous	4,191		
370	Capital Contributions	0		
390	Other Financing Sources	0		
Total Revenues and Other Financing Sources		4,191		
Total Resources		4,191		
Operating Expenditures:				
510	General Government	0		
520	Public Safety	0		
530	Physical Environment	0		
540	Transportation	0		
550	Economic Environment	3,654		
560	Mental and Physical Health	0		
570	Culture and Recreation	0		
Total Operating Expenditures		3,654		
591-593	Debt Service	0		
594-595	Capital Outlay	0		
Total Expenditures		3,654		
597-599	Other Financing Uses	0		
Total Expenditures and Other Financing Uses		3,654		
Excess (Deficit) of Resources Over Uses		537		
380	Nonrevenues (Except 384)	0		
580	Nonexpenditures (Except 584)	0		
Ending Cash and Investments:				
508.10	Reserved 1/			
508.80	Unreserved 1/	\$537		

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2009

BARS CODE		001 CURRENT EXPENSE		101 STREETS	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$ 347,536.00	\$ 338,068.00	\$ 224,024.00	\$ 229,774.00
	Revenues and Other Sources				
310	Taxes	\$ 301,787.00	\$ 308,379.00	\$ 26,804.00	\$ 26,625.00
320	Licenses and Permits	\$ 6,450.00	\$ 3,828.00	\$ -	\$ -
330	Intergovernmental	\$ 43,650.00	\$ 43,005.00	\$ 54,382.00	\$ 77,092.00
340	Charges for Goods and Services	\$ 71,255.00	\$ 87,158.00	\$ -	\$ -
350	Fines and Forfeits	\$ 19,000.00	\$ 26,253.00	\$ -	\$ -
360	Miscellaneous	\$ 10,770.00	\$ 5,435.00	\$ 5,000.00	\$ 9,619.00
370	Capital Contributions	\$ -	\$ -	\$ -	\$ -
390	Other Financing Sources	\$ 3,000.00	\$ 3,000.00	\$ -	\$ -
	Total Revenues and Other Sources	\$ 455,912.00	\$ 477,058.00	\$ 86,186.00	\$ 113,336.00
	Total Resources	\$ 803,448.00	\$ 815,126.00	\$ 310,210.00	\$ 343,110.00
	Operating Expenditures:				
510	General Government	\$ 116,805.00	\$ 104,524.00	\$ 1,000.00	\$ -
520	Public Safety	\$ 221,354.00	\$ 210,130.00	\$ -	\$ -
530	Physical Environment	\$ 87,454.00	\$ 102,043.00	\$ -	\$ -
540	Transportation	\$ -	\$ -	\$ 47,461.00	\$ 34,277.00
550	Economic Environment	\$ 8,450.00	\$ 7,527.00	\$ -	\$ -
560	Mental and Physical Health	\$ 300.00	\$ 287.00	\$ -	\$ -
570	Culture and Recreational	\$ 21,613.00	\$ 32,619.00	\$ -	\$ -
	Total Operating Expenditures	\$ 455,976.00	\$ 457,130.00	\$ 48,461.00	\$ 34,277.00
591-93	Debt Service	\$ 12,889.00	\$ 12,888.00	\$ -	\$ -
594-595	Capital Outlay	\$ -	\$ -	\$ 33,407.00	\$ 32,429.00
	Total Expenditures	\$ 468,865.00	\$ 470,018.00	\$ 81,868.00	\$ 66,706.00
597-599	Other Financing Uses	\$ -	\$ -	\$ 800.00	\$ 800.00
	Total Expenditures and Other Uses	\$ 468,865.00	\$ 470,018.00	\$ 82,668.00	\$ 67,506.00
	Excess (Deficit) of Resources Over Uses	\$ 334,583.00	\$ 345,108.00	\$ 227,542.00	\$ 275,604.00
380	Nonrevenues (Except 384 and 388.80)	\$ 20,200.00	\$ 33,915.00	\$ -	\$ -
580	Nonexpenditures (Except 584 and 588.80)	\$ 32,100.00	\$ 32,279.00	\$ -	\$ -
	Ending Net Cash and Investments	\$ 322,683.00	\$ 346,744.00	\$ 227,542.00	\$ 275,604.00

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2009

BARS CODE		401 WATER/SEWER		301 WATER/SEWER CONSTRUCTION	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	\$ 608,852.00	\$ 575,918.00	\$ 971,231.00	\$ 766,414.00
	Revenues and Other Sources				
310	Taxes	\$ -	\$ -	\$ -	\$ -
320	Licenses and Permits	\$ -	\$ -	\$ -	\$ -
330	Intergovernmental	\$ -	\$ 12,230.00	\$ 123,000.00	\$ -
340	Charges for Goods and Services	\$ 504,192.00	\$ 503,293.00	\$ -	\$ -
350	Fines and Forfeits	\$ -	\$ -	\$ -	\$ -
360	Miscellaneous	\$ 10,000.00	\$ 10,997.00	\$ 15,500.00	\$ 17,055.00
370	Capital Contributions	\$ -	\$ -		
390	Other Financing Sources	\$ -	\$ -	\$ 55,000.00	\$ 70,365.00
	Total Revenues and Other Sources	\$ 514,192.00	\$ 526,520.00	\$ 193,500.00	\$ 87,420.00
	Total Resources	\$ 1,123,044.00	\$ 1,102,438.00	\$ 1,164,731.00	\$ 853,834.00
	Operating Expenditures:				
510	General Government	\$ -	\$ -	\$ -	\$ -
520	Public Safety	\$ -	\$ -	\$ -	\$ -
530	Physical Environment	\$ 359,212.00	\$ 275,228.00	\$ -	\$ -
540	Transportation	\$ -	\$ -	\$ -	\$ -
550	Economic Environment	\$ -	\$ -	\$ -	\$ -
560	Mental and Physical Health	\$ -	\$ -	\$ -	\$ -
570	Culture and Recreational	\$ -	\$ -	\$ -	\$ -
	Total Operating Expenditures	\$ 359,212.00	\$ 275,228.00	\$ -	\$ -
591-93	Debt Service	\$ 7,230.00	\$ 7,230.00	\$ -	\$ 43,171.00
594-595	Capital Outlay	\$ -	\$ -	\$ 141,094.00	\$ 141,094.00
	Total Expenditures	\$ 366,442.00	\$ 282,458.00	\$ 141,094.00	\$ 184,265.00
597-599	Other Financing Uses	\$ 65,388.00	\$ 80,752.00		\$ -
	Total Expenditures and Other Uses	\$ 431,830.00	\$ 363,210.00	\$ 141,094.00	\$ 184,265.00
	Excess (Deficit) of Resources Over Uses	\$ 691,214.00	\$ 739,228.00	\$ 1,023,637.00	\$ 669,569.00
380	Nonrevenues (Except 384 and 388.80)	\$ 28,200.00	\$ 76,600.00	\$ -	\$ -
580	Nonexpenditures (Except 584 and 588.80)	\$ 39,505.00	\$ 114,505.00	\$ 69,487.00	\$ 26,316.00
	Ending Net Cash and Investments	\$ 679,909.00	\$ 701,323.00	\$ 954,150.00	\$ 643,253.00

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2009

Fund Type: Special Revenue	103 CDBG REHAB		104 FIRE RESERVE	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$ 141,346.00	\$ 142,172.00	\$ 11,777.00	\$ 14,878.00
Revenues and Other Financing Sources	\$ 6,620.00	\$ 18,447.00	\$ 1,500.00	\$ 3,673.00
Total Resources	\$ 147,966.00	\$ 160,619.00	\$ 13,277.00	\$ 18,551.00
Expenditures And Other Financing Uses	\$ 1,500.00	\$ 225.00	\$ -	\$ -
Excess (Deficit) of Resources Over Uses	\$ 146,466.00	\$ 160,394.00	\$ 13,277.00	\$ 18,551.00
Nonrevenues (Except 384 and 388.80)	\$ -	\$ -	\$ -	\$ -
Nonexpenditures (Except 584 and 588.80)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments	\$ 146,466.00	\$ 160,394.00	\$ 13,277.00	\$ 18,551.00

Fund Type: Special Revenue	105 EQUIPMENT RESERVE		106 CAPITAL IMPROVEMENT	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$ 24,831.00	\$ 26,651.00	\$ 38,924.00	\$ 39,002.00
Revenues and Other Financing Sources	\$ 5,800.00	\$ 5,276.00	\$ 6,250.00	\$ 989.00
Total Resources	\$ 30,631.00	\$ 31,927.00	\$ 45,174.00	\$ 39,991.00
Expenditures And Other Financing Uses	\$ -	\$ -	\$ 3,000.00	\$ 1,415.00
Excess (Deficit) of Resources Over Uses	\$ 30,631.00	\$ 31,927.00	\$ 42,174.00	\$ 38,576.00
Nonrevenues (Except 384 and 388.80)	\$ -	\$ -	\$ -	\$ -
Nonexpenditures (Except 584 and 588.80)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments	\$ 30,631.00	\$ 31,927.00	\$ 42,174.00	\$ 38,576.00

Fund Type: Special Revenue	403 SEWER RESERVE		404 SEWER RESERVE	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$ 1,916.00	\$ 2,766.00	\$ 5,344.00	\$ 6,205.00
Revenues and Other Financing Sources	\$ 6,588.00	\$ 6,439.00	\$ 300.00	\$ 112.00
Total Resources	\$ 8,504.00	\$ 9,205.00	\$ 5,644.00	\$ 6,317.00
Expenditures And Other Financing Uses	\$ 6,388.00	\$ 6,388.00	\$ -	\$ -
Excess (Deficit) of Resources Over Uses	\$ 2,116.00	\$ 2,817.00	\$ 5,644.00	\$ 6,317.00
Nonrevenues (Except 384 and 388.80)	\$ -	\$ -	\$ -	\$ -
Nonexpenditures (Except 584 and 588.80)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments	\$ 2,116.00	\$ 2,817.00	\$ 5,644.00	\$ 6,317.00

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2009

Fund Type: Special Revenue	107 EMS FUND		108 PUBLIC SAFETY (3/10)	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$ 47,970.00	\$ 44,416.00	\$ 27,022.00	\$ 29,752.00
Revenues and Other Financing Sources	\$ 10,500.00	\$ 11,911.00	\$ 25,000.00	\$ 25,455.00
Total Resources	\$ 58,470.00	\$ 56,327.00	\$ 52,022.00	\$ 55,207.00
Expenditures And Other Financing Uses	\$ 5,000.00	\$ 1,129.00	\$ 26,436.00	\$ 26,535.00
Excess (Deficit) of Resources Over Uses	\$ 53,470.00	\$ 55,198.00	\$ 25,586.00	\$ 28,672.00
Nonrevenues (Except 384 and 388.80)	\$ -	\$ -	\$ -	\$ -
Nonexpenditures (Except 584 and 588.80)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments	\$ 53,470.00	\$ 55,198.00	\$ 25,586.00	\$ 28,672.00

Fund Type: Special Revenue	406 COMPOST RECYCLE FUND			
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$ -	\$ -	\$ -	\$ -
Revenues and Other Financing Sources	\$ 158,000.00	\$ 42,471.00	\$ -	\$ -
Total Resources	\$ 158,000.00	\$ 42,471.00	\$ -	\$ -
Expenditures And Other Financing Uses	\$ 148,625.00	\$ 48,693.00	\$ -	\$ -
Excess (Deficit) of Resources Over Uses	\$ 9,375.00	\$ (6,222.00)	\$ -	\$ -
Nonrevenues (Except 384 and 388.80)	\$ -	\$ 75,000.00	\$ -	\$ -
Nonexpenditures (Except 584 and 588.80)	\$ -	\$ 76,500.00	\$ -	\$ -
Ending Net Cash and Investments	\$ 9,375.00	\$ (7,722.00)	\$ -	\$ -

Fund Type:				
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$ -	\$ -	\$ -	\$ -
Revenues and Other Financing Sources	\$ -	\$ -	\$ -	\$ -
Total Resources	\$ -	\$ -	\$ -	\$ -
Expenditures And Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Excess (Deficit) of Resources Over Uses	\$ -	\$ -	\$ -	\$ -
Nonrevenues (Except 384 and 388.80)	\$ -	\$ -	\$ -	\$ -
Nonexpenditures (Except 584 and 588.80)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments	\$ -	\$ -	\$ -	\$ -

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF TIETON
NOTES TO FINANCIAL STATEMENT
2010

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Tieton uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System (BARS)* manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Tieton was incorporated on June 1, 1942 and operates under the laws of the State of Washington applicable to a code city. On January 27, 2004, the Town of Tieton became a City. The City of Tieton is a general purpose government and provides public safety, fire prevention, street improvement, parks, health and social services and general administrative services. In addition, the city owns and operates a water and sewer system. The City of Tieton uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. **Fund Accounting**

The accounts of the City of Tieton are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Tieton:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Tieton. 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 revenues that are legally restricted or designated to finance particular activities of the City of Tieton.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year (s) budget appropriations as required by state law.

Purchases of fixed assets are expensed during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Budgets

Annual appropriated budgets are adopted for all funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the fund level (except the General (Current Expense) Fund, where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Fund 001	\$ 634,751.73	\$ 588,726.67	\$ 46,025.06
Fund 101	\$ 71,770.51	\$ 65,034.52	\$ 6,735.99
Fund 103	\$ 1,000.00	\$ 0.00	\$ 1,000.00
Fund 104	\$ 3,300.00	\$ 0.00	\$ 3,300.00
Fund 105	\$ 70,955.08	\$ 70,655.08	\$ 300.00
Fund 106	\$ 0.00	\$ 0.00	\$ 0.00
Fund 107	\$ 3,500.00	\$ 0.00	\$ 3,500.00
Fund 108	\$ 34,889.00	\$ 34,711.15	\$ 177.85
Fund 109	\$ 0.00	\$ 3,653.54	\$ <3,653.54>
Fund 301	\$ 137,902.08	\$ 137,901.26	\$ 0.82
Fund 401	\$ 480,471.00	\$ 455,860.24	\$ 24,610.76
Fund 403	\$ 6,737.50	\$ 6,737.50	\$ 0.00
Fund 404	\$ 0.00	\$ 0.00	\$ 0.00
Total Amounts	\$1,445,276.90	\$1,363,279.96	\$ 81,996.94

The Clerk-Treasurer is authorized to transfer budgeted amounts 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

It is the City of Tieton's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City of Tieton deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments (See Investment Note #3)

G. Fixed Assets

Fixed assets are long-lived assets of the City of Tieton and are recorded as expenditures when purchased.

H. Capital Assets

Capital assets are long-lived assets of the City of Tieton, and are recorded as expenditures when purchased

I. Compensated Absences

Vacation leave may be used as accumulated. Vacation leave is, however, not available for use until earned. As of December 31st of each year, no employee will be permitted to have an accumulated amount of accrued vacation leave in excess of two hundred forty (240) hours. A terminating employee is paid for accrued and accumulated vacation leave at the rate of pay in effect at the time of separation.

Sick leave may be accumulated up to 960 hours. Upon resignation after completing at least ten (10) years of continuous service, death or retirement an employee shall be paid 25% of their accumulated sick leave. (See Schedule 9 for estimated value.)

J. Long-Term Debt (See Long-Term Debt Note #6)

K. Other Financing Sources or Uses.

The City of Tieton's *Other Financing Sources or Uses* consist of Interfund Transfers.

L. Risk Management

The City of Tieton is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool 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 August 31, 2010, the CIAW had 88 regular members and 180 associate members. Effective September 1, 2010, all members of the CIAW are full members.

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

The pool acquires liability insurance through Munich Reinsurance America that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining

\$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$3,200,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool 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 pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including account education, risk management and loss control, and claims administration.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been expenditures exceeding legal appropriations in Fund 109 due to donations exceeding expenditures. Fund 109 was established by Ordinance 632; September 27, 2010. Fund 109 ended year 2010 with \$537.21.

NOTE 3 - INVESTMENTS

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

Investments by type at December 31, 2010 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
LGIP	\$1,675,846.97
CD's	205,329.30
Money Market	<u>300,000.00</u>
Total	\$2,181,176.27

NOTE 4 - PROPERTY TAXES

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

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

The City's regular levy for 2010 was \$2.92125317 per \$1,000.00 on an assessed valuation of \$58,952,381 for a total regular levy of \$172,214.83.

NOTE 5 – INTERFUND LOANS

There was an interfund loan in 2010. Exactly \$70,955.00 was transferred from the Water/Sewer Construction Fund 301 to the said Major Equipment Reserve Fund 105, which was established November 13, 1998, Ordinance 295. The loan will be repaid at an interest of 2%, over a period of 10 years. The debt service requirements, including interest, are as follows:

	Revenue <u>Debt</u>	Total <u>Debt</u>
2011	7,181.68	7,181.68
2012	7,834.56	7,834.56
2013	7,834.56	7,834.56
2014	7,834.56	7,834.56
2015	7,834.56	7,834.56
2016 -2020	39,172.80	39,172.80
2021-complete	651.80	651.80
TOTAL	\$78,344.52	\$78,344.52

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Tieton and summarizes the City's debt transactions for 2010. The debt service requirements, including interest, are as follows:

	<u>General Obligation Debt</u>	<u>Revenue Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
2011		117,773		117,773
2012		116,061		116,061
2013		113,462		113,462
2014		110,863		110,863
2015		109,651		109,651
2016 to 2020		498,370		498,370
2021 to 2025		284,059		284,059
2026 to 2034		27,105		27,105
TOTALS		\$ 1,377,344		\$ 1,377,344

NOTE 6A – LEASE WITH OPTION PURCHASE AGREEMENT

The accompanying Schedule of Long Term Debt (09) provides a listing of the outstanding debt of the City of Tieton and summarizes the City's lease transaction signed in 2003. The City of Tieton has paid the full note on the lease with option to purchase agreement in the amount of \$46,183.57. (See Schedule 9).

NOTE 7 - PENSION PLANS

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

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

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

NOTE 8 – OTHER DISCLOSURES

Carl and Jan Strickland vs. City of Tieton and Norma Joiner : Mr. and Mrs. Strickland filed a lawsuit against the City of Tieton and the Mayor on February 9, 2007 for “Wrongful Discharge/Termination”. The trial was settled with a total settlement amount of \$180,000 which was paid by the insurance company. The City of Tieton paid cash in the amount of \$4,635 to Mr. Carl Strickland.

CITY OF TIETON
NOTES TO FINANCIAL STATEMENT
2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Tieton uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System (BARS)* manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Tieton was incorporated on June 1, 1942 and operates under the laws of the State of Washington applicable to a code city. On January 27, 2004, the Town of Tieton became a City. The City of Tieton is a general purpose government and provides public safety, fire prevention, street improvement, parks, health and social services and general administrative services. In addition, the city owns and operates a water and sewer system. The City of Tieton uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. **Fund Accounting**

The accounts of the City of Tieton are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Tieton:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Tieton. 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 revenues that are legally restricted or designated to finance particular activities of the City of Tieton.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year (s) budget appropriations as required by state law.

Purchases of fixed assets are expensed during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Budgets

Annual appropriated budgets are adopted for all funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the fund level (except the General (Current Expense) Fund, where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

The Clerk-Treasurer is authorized to transfer budgeted amounts 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

It is the City of Tieton's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City of Tieton deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments (See Investment Note #3)

G. Fixed Assets

Fixed assets are long-lived assets of the City of Tieton and are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be used as accumulated. Vacation leave is, however, not available for use until earned. As of December 31st of each year, no employee will be permitted to have an accumulated amount of accrued vacation leave in excess of two hundred forty (240) hours. A terminating employee is paid for accrued and accumulated vacation leave at the rate of pay in effect at the time of separation.

Sick leave may be accumulated up to 960 hours. Upon resignation after completing at least ten (10) years of continuous service, death or retirement an employee shall be paid 25% of their accumulated sick leave.

I. Long-Term Debt (See Long-Term Debt Note #6)

J. Risk Management

The City of Tieton is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool 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 August 31, 2009, the CIAW had 86 regular members and 170 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, account education, claims handling, etc. Coverage for Employment Practices and Management Liability is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public official's liability.

The pool acquires liability insurance through St. Paul Fire & Marine Insurance Company (Travelers) that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$5,500,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new regular member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2008 and 2009 were \$1,321,289 and \$1,389,379 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been expenditures exceeding legal appropriations in Fund 101 by \$1,151.52 and Fund 108 by \$99.93.

NOTE 3 - INVESTMENTS

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

Investments by type at December 31, 2009 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
LGIP	\$ 287,726.08
CD's	197,061.79
Money Market	<u>1,622,705.58</u>
Total	<u>\$2,107,493.45</u>

NOTE 4 - PROPERTY TAXES

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

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

The City's regular levy for 2009 was \$2.78988568 per \$1,000.00 on an assessed valuation of \$56,614,040 for a total regular levy of \$157,946.70.

NOTE 5 – INTERFUND LOANS

There was an interfund loan in 2009. Exactly \$75,000.00 was transferred from the Water/Sewer Fund 401 to the said Compost Recycle Program Fund 406, which was established February 9, 2009, Resolution 271. The loan was repaid together with an interest of 2%.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Tieton and summarizes the City's debt transactions for 2009. The debt service requirements, including interest, are as follows:

	<u>General Obligation Debt</u>	<u>Revenue Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
2010		118,973		118,973
2011		117,773		117,773
2012		116,061		116,061
2013		113,462		113,462
2014		110,863		110,863
2015 to 2019		520,612		520,612
2020 to 2024		316,467		316,467
2025 to 2033		55,000		55,000
TOTALS		\$ 1,469,211		\$ 1,469,211

NOTE 6A – LEASE WITH OPTION PURCHASE AGREEMENT

The accompanying Schedule of Long Term Debt (09) provides a listing of the outstanding debt of the City of Tieton and summarizes the City's lease transaction signed in 2003. The lease transaction requirements, including interest, are a follows:

	<u>Revenue Bonds</u>	<u>Total Debt</u>
2010	12,888.23	12,888.23
2011	12,888.23	12,888.23
2012	12,888.23	12,888.23
2013 - Complete	12,888.23	12,888.23
TOTAL	\$51,552.92	\$51,552.92

NOTE 7 - PENSION PLANS

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

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

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

NOTE 8 – OTHER DISCLOSURES

Carl and Jan Strickland vs. City of Tieton and Norma Joiner : Mr. and Mrs. Strickland filed a lawsuit against the City of Tieton and the Mayor on February 9, 2007 for “Wrongful Discharge/Termination”. Trial is still ongoing.

CITY OF TIETON
SCHEDULE OF LONG-TERM LIABILITIES

For the Year Ended December 31, 2010

ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/10	Amount Issued in Current Year	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/10
252.11	Sep-81	2/20/2021	\$65,500.00	0	\$3,500.00	582.35.72 591.____ 599.____	403 ____ ____	\$62,000.00
263.82	Aug-98	8/4/2021	\$235,878.99	0	\$19,656.58	582.34.78 591.____ 599.____	401 ____ ____	\$216,222.41
263.82	Oct-98	10/18/2018	\$162,684.21	0	\$18,076.00	582.34.80 591.____ 599.____	401 ____ ____	\$144,608.21
263.82	Jan-99	3/13/2013	\$6,204.62	0	\$1,772.74	582.34.78 591.____ 599.____	401 ____ ____	\$4,431.88
252.11	Jun-06	7/1/2026	\$447,368.42	0	\$26,315.79	582.63.00.01	301	\$421,052.63
263.82	Jul-07	6/1/2023	\$250,000.00	0	\$11,740.59	582.63.00.05	301	\$238,259.41
263.82	3/18/2003	3/1/2013	\$46,183.57	PAY OUT	\$46,183.57	594.____ 591.22.77	____ 001 ____	\$0.00
259.11 259.12	COMPENSATED ABSENCES	12/31/2010	\$23,846.28		\$2,116.37	VARIOUS		\$25,962.65
Total			\$1,237,666.09		\$129,361.64			\$1,112,537.19

CITY OF TIETON

___ G.O. Debt
 ___ X Revenue Debt
 ___ Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 2009

ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/09 (Ending Outstanding Debt Balance from Prior Year)	Amount Issued in Current Year	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/09 (1)+(2)-(3)
252.11	Sep-81	2/20/2021	\$68,500.00	0	\$3,000.00	582.35.72 591._____ 599._____ 403	—	\$65,500.00
263.82	Aug-98	8/4/2021	\$255,535.57	0	\$19,656.58	582.34.78 591._____ 599._____ 401	—	\$235,878.99
263.82	Oct-98	10/18/2018	\$180,760.21	0	\$18,076.00	582.34.80 591._____ 599._____ 401	—	\$162,684.21
263.82	Jan-99	3/13/2013	\$7,977.36	0	\$1,772.74	582.34.78 591._____ 599._____ 401	—	\$6,204.62
252.11	Jun-06	7/1/2026	\$473,684.21	0	\$26,315.79	582.63.00.01	301	\$447,368.42
263.82	Jul-07	6/1/2023	\$250,000.00	0	\$0.00	582.63.00.05	301	\$250,000.00
263.53	3/18/2003	3/1/2013	\$56,501.38	0	\$10,317.81	582._____ 591.22.77 594.00.00 599._____ 001	—	\$46,183.57
Total			\$1,292,958.73		\$79,138.92			\$1,213,819.81



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor
Chief of Staff
Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Performance Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
Main number
Toll-free Citizen Hotline

Brian Sonntag, CGFM
Ted Rutt
Doug Cochran
Jerry Pugnetti
Chuck Pfeil, CPA
Larisa Benson
Jim Brittain, CPA
Jan Jutte, CPA, CGFM
Ivan Dansereau
Mike Murphy
Mindy Chambers
Mary Leider
(360) 902-0370
(866) 902-3900

Website
Subscription Service

www.sao.wa.gov
<https://www.sao.wa.gov/EN/News/Subscriptions/>