



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Mattawa

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

Published December 20, 2018

Report No. 1022783





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

December 20, 2018

Mayor and City Council
City of Mattawa
Mattawa, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The City did not have adequate internal controls to ensure accurate and reliable financial reporting.

Background

City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. *Government Auditing Standards*, prescribed by the Comptroller General of United States, requires the auditor to communicate significant deficiencies as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

The City did not have adequate controls and processes in place to ensure financial statement accuracy for 2016 and 2017. Our audit identified the following control deficiencies that, when taken together, represent a significant deficiency:

- The City did not have an effective review process to detect and correct errors before submitting the annual financial report for audit.
- City staff responsible for financial statement preparation lacked technical knowledge and experience necessary to prepare financial statements, specifically as it relates to agency fund reporting.
- The City did not perform an adequate reconciliation between the bank statements and the general ledger at year-end to ensure all open-period expenditures were included in the reconciliation.

Cause of Condition

The City experienced significant turnover in the position responsible for preparing the financial statements. The current staff lacked the experience and training necessary to ensure reports were free of significant errors and conformed to applicable *Budgeting, Accounting and Reporting System* (BARS) manual requirements.

Effect of Condition

During our review of the financial statements, we identified the following significant errors that were not detected by the City. Specifically,

- The City reported 2016 revenues totaling \$147,533 that were not received during the year. These revenues were collected in 2017 and should have been recorded when collected. As a result, the City overstated revenues and ending cash and investments in 2016 by \$147,533 and understated revenue and beginning cash and investments in 2017 by the same amount.
- The City misclassified the Transportation Benefit District fund and the Library fund, totaling \$62,246, as agency funds instead of governmental funds.

Recommendations

We recommend the City establish and follow effective internal controls to ensure:

- Employees responsible for preparing the financial statements have sufficient training and knowledge of BARS Manual requirements to accurately report financial statement activity.
- A person who understands the BARS Manual and is independent of the financial statement preparation processes perform a thorough review of the financial statements and supporting schedules to ensure they are accurate, complete and presented
- Year-end bank reconciliations include all activity for the year, including open-period transactions

City's Response

Your preliminary draft includes an audit finding in the Financial Statement Preparation which describes the City's alleged lack of adequate internal controls to ensure accurate and reliable financial reporting. The draft audit report concludes that the City "did not have an effective review process to detect and correct errors before submitting the annual financial report for audit", that "city staff responsible for financial statement preparation lacked technical knowledge and experience necessary to prepare financial statements, specifically as it relates to agency fund reporting", and that the "city did not perform an adequate reconciliation between the bank statements and the general ledger at year-end to ensure reports were free of significant errors and conformed to applicable BARS Manual requirements." While the former City Clerk was an experienced city clerk with significant training in the BARS Manual requirements, an error was made regarding preparation of the financial statement: reimbursement monies due the City were entered as revenues received in December, 2016 but were not actually received until January and February, 2017. The new City Clerk has had, and

continues to receive, BARS Manual requirements training and has implemented a process to ensure that year-end financial statements are free from significant errors and are reviewed independently.

The City appreciates the diligence of the Auditor's Office in providing monitoring and oversight to local government operations and welcomes its input and recommendations on how to improve the City's overall performance objectives.

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 – Local government accounting – Uniform systems of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting Systems* (BARS) manual 3.7.3 – Federal Grants Received During the Open Period – Requires certain federal grant revenue related to prior year grants received during the open period to be recognized in the prior year. This is only applicable for federal grants.

The *Budgeting, Accounting and Reporting Systems* (BARS) manual 3.1.3 – Internal control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal controls, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Controls Related Matter Identified in Audit, paragraph 7.

**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 Mattawa
January 1, 2016 through December 31, 2017**

Mayor and City Council
City of Mattawa
Mattawa, 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 Mattawa, 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 December 17, 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 opinions 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 that we consider to be significant deficiencies.

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*.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

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

Pat McCarthy
State Auditor
Olympia, WA

December 17, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Mattawa January 1, 2016 through December 31, 2017

Mayor and City Council
City of Mattawa
Mattawa, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Mattawa, 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 13.

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 Mattawa 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 Mattawa, 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 Mattawa, as of December 31, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were conducted 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 December 17, 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.



Pat McCarthy

State Auditor

Olympia, WA

December 17, 2018

FINANCIAL SECTION

City of Mattawa January 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	140 Transportation Benefit District
Beginning Cash and Investments					
30810	Reserved	506,228	1,430	321,637	4,504
30880	Unreserved	2,832,186	747,874	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	753,618	678,726	-	60,808
320	Licenses and Permits	55,111	55,086	25	-
330	Intergovernmental Revenues	852,095	195,363	601,055	-
340	Charges for Goods and Services	1,301,572	41,925	-	-
350	Fines and Penalties	11,827	1,547	-	-
360	Miscellaneous Revenues	213,885	22,302	2,472	-
Total Revenues:		3,188,108	994,950	603,551	60,808
Expenditures					
510	General Government	181,956	181,956	-	-
520	Public Safety	584,796	584,796	-	-
530	Utilities	1,096,723	-	-	-
540	Transportation	127,260	-	127,260	-
550	Natural and Economic Environment	53,856	53,856	-	-
560	Social Services	500	500	-	-
570	Culture and Recreation	62,119	62,119	-	-
Total Expenditures:		2,107,211	883,227	127,260	-
Excess (Deficiency) Revenues over Expenditures:		1,080,898	111,722	476,292	60,808
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	3,677	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	881	1,724	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		4,559	1,724	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	505,337	90,301	372,331	-
591-593, 599	Debt Service	196,819	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	15,527	15,527	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		717,683	105,828	372,331	-
Increase (Decrease) in Cash and Investments:		367,773	7,618	103,961	60,808
Ending Cash and Investments					
5081000	Reserved	706,223	-	425,597	65,312
5088000	Unreserved	2,999,964	756,922	-	-
Total Ending Cash and Investments		3,706,187	756,922	425,597	65,312

The accompanying notes are an integral part of this statement.

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

		350 Capital Improvement Fund	401 Water Operating Fund	405 Sewer Operating Fund	420 Solid Waste Fund
Beginning Cash and Investments					
30810	Reserved	20,344	79,334	78,979	-
30880	Unreserved	-	960,015	1,047,611	76,686
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	14,084	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	52,000	-	3,677	-
340	Charges for Goods and Services	-	505,324	434,931	319,391
350	Fines and Penalties	-	6,181	2,803	1,296
360	Miscellaneous Revenues	461	40,111	147,716	822
Total Revenues:		66,545	551,617	589,128	321,510
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	401,225	398,902	296,596
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	401,225	398,902	296,596
Excess (Deficiency) Revenues over Expenditures:		66,545	150,391	190,225	24,913
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	3,677	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	(843)	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	(843)	3,677	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	30,522	-	12,183	-
591-593, 599	Debt Service	-	70,144	126,674	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		30,522	70,144	138,857	-
Increase (Decrease) in Cash and Investments:		36,023	79,404	55,045	24,913
Ending Cash and Investments					
5081000	Reserved	56,367	79,334	79,613	-
5088000	Unreserved	-	1,039,419	1,102,024	101,599
Total Ending Cash and Investments		56,367	1,118,753	1,181,637	101,599

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	140 Transportation Benefit District
Beginning Cash and Investments					
30810	Reserved	615,212	1,425	393,622	-
30880	Unreserved	2,768,112	764,819	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	675,811	662,183	-	4,504
320	Licenses and Permits	27,841	27,841	-	-
330	Intergovernmental Revenues	1,050,282	241,991	769,644	-
340	Charges for Goods and Services	1,315,497	51,681	-	-
350	Fines and Penalties	15,325	3,805	-	-
360	Miscellaneous Revenues	83,154	18,570	1,596	-
Total Revenues:		3,167,910	1,006,071	771,240	4,504
Expenditures					
510	General Government	168,620	168,620	-	-
520	Public Safety	703,672	703,672	-	-
530	Utilities	1,078,848	-	-	-
540	Transportation	116,985	-	116,985	-
550	Natural and Economic Environment	49,114	49,114	-	-
560	Social Services	1,704	1,704	-	-
570	Culture and Recreation	71,437	71,437	-	-
Total Expenditures:		2,190,380	994,547	116,985	-
Excess (Deficiency) Revenues over Expenditures:		977,530	11,524	654,255	4,504
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	27,351	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,517	66	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		28,868	66	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	877,683	28,464	726,240	-
591-593, 599	Debt Service	173,559	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	66	66	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,051,308	28,530	726,240	-
Increase (Decrease) in Cash and Investments:		(44,910)	(16,940)	(71,985)	4,504
Ending Cash and Investments					
5081000	Reserved	506,228	1,430	321,637	4,504
5088000	Unreserved	2,832,186	747,874	-	-
Total Ending Cash and Investments		3,338,414	749,304	321,637	4,504

The accompanying notes are an integral part of this statement.

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

		350 Capital Improvement Fund	401 Water Operating Fund	405 Sewer Operating Fund	420 Solid Waste Fund
Beginning Cash and Investments					
30810	Reserved	62,150	79,334	78,681	-
30880	Unreserved	-	876,920	1,057,745	68,628
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	9,125	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	38,647	-
340	Charges for Goods and Services	-	533,550	413,873	316,394
350	Fines and Penalties	-	6,894	3,148	1,478
360	Miscellaneous Revenues	220	3,502	58,979	287
Total Revenues:		9,345	543,945	514,647	318,158
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	392,122	376,626	310,101
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	392,122	376,626	310,101
Excess (Deficiency) Revenues over Expenditures:		9,345	151,824	138,021	8,058
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	27,351	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	1,451	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	1,451	27,351	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	51,151	-	71,829	-
591-593, 599	Debt Service	-	70,179	103,380	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		51,151	70,179	175,208	-
Increase (Decrease) in Cash and Investments:		(41,806)	83,096	(9,837)	8,058
Ending Cash and Investments					
5081000	Reserved	20,344	79,334	78,979	-
5088000	Unreserved	-	960,015	1,047,611	76,686
Total Ending Cash and Investments		20,344	1,039,348	1,126,591	76,686

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

	Agency
308 Beginning Cash and Investments	16,775
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	3,600
510-590 Deductions	1,900
Net Increase (Decrease) in Cash and Investments:	1,700
508 Ending Cash and Investments	18,475

The accompanying notes are an integral part of this statement.

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

		635 Customer Deposit Fund
308	Beginning Cash and Investments	15,302
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	3,500
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	2,028
	Net Increase (Decrease) in Cash and Investments:	1,472
508	Ending Cash and Investments	16,775

The accompanying notes are an integral part of this statement.

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The City of Mattawa was incorporated in 1958 and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor-council form of government. The City is a general purpose local government and provides public safety, street services, park, general administrative services, as well as fire protection and health through contracted services. In addition, the city owns and operates a water and waste water treatment system.

The City 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 government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

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

Capital Projects Funds

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

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

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 government in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account assets that the government 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 also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense Fund			
Current Expense Fund	1,730,878	968,199	762,679
Police Vehicle Fund	21,215	20,856	359
Total 001 - Current Expense Fund	1,752,093	989,055	763,038
101 - Street Fund			
Street Fund	1,108,035	499,591	608,444
Multimodal Transportation Fund	9,327	-	9,327
Total 101 - Street Fund	1,117,362	499,591	617,771
350 - Capital Improvement Fund	77,300	30,522	46,778
401 - Water Operating Fund			
Water Operating Fund	1,100,610	401,225	699,385
Water Bond Debt Fund	107,580	70,144	37,435
Water Bond Reserve Fund	79,334	-	79,334
Water Emergency Fund	59,100	-	59,100
Water Capital Improvement	74,600	-	74,600
Water System Construction	90,007	-	90,007
Total 401 - Water Operating Fund	1,511,231	471,370	1,039,861
405 - Sewer Operating Fund			
Sewer Operating Fund	943,000	427,090	515,910
Sewer Debt Fund	441,400	98,486	342,914
Sewer Emergency Fund	57,500	-	57,500
Sewer Reserve Fund	79,150	-	79,150
Sewer Capital Improvement	167,000	12,183	154,817
Total 405 - Sewer Operating Fund	1,688,050	537,759	1,150,291
420 - Solid Waste Fund	395,800	296,596	99,204
621 - Library Fund	1,440	-	1,440
635 - Customer Deposit Fund	21,500	2,285	19,215
640 - Transportaton Benefit District	60,000	-	60,000
	4,893,898	1,858,979	3,034,919

Budgeted amounts are authorized to be transferred between (departments within any fund or object

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

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

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital 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 separation or retirement employees are eligible to receive payment of 1/2 of their unused sick leave after 5 years of employment. Payments are recognized as expenditures when paid. As of the end of 2017, the City's compensated absence liability was \$41,241.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
101 - Street Fund	\$425,597	Reserved for the motor vehicle tax revenue and ordinance 31
350 - Capital Improvement Fund	\$56,367	Reserved for the real estate excise tax revenue and ordinance 245
401 - Water Operating Fund	\$79,334	Reserved for water loan reserves
405 - Sewer Operating Fund	\$79,613	Reserved for sewer loan reserves

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

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 government's name.

Investments are reported at either fair market value or cost. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	<u>Total</u>
L.G.I.P. (FMV)	227,180		227,180
Government Bond (Cost)	1,703,764		1,703,764
<i>Total</i>	<i>\$ 1,930,697</i>		<i>\$ 1,930,697</i>

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 \$2.3725026729 per \$1,000 on an assessed valuation of \$54,933,034 for a total regular levy of \$130,329.

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 debt transactions for year ended December 31, 2017.

The debt service requirements for revenue bonds are as follows:

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

Year	Principal	Interest	Total Debt Service
2018	107,525	43,475	151,000
2019	110,902	39,568	150,470
2020	114,414	35,524	149,938
2021	118,066	31,337	149,403
2022	121,864	27,000	148,864
2023-2027	702,863	64,307	767,170
Totals	\$ 1,275,634	\$ 241,211	\$ 1,516,845

Debt Forgiveness

During 2016 the City was approved for a planning grant/loan from Department of Ecology to develop an Engineering Report for the City's wastewater treatment facility. This agreement consists of a \$60,000 loan and \$60,000.00 forgivable principal (grant). As of December 31, 2017, the total amount forgiven was \$31,028.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans:

Public Employees' Retirement System Plan 2 (PERS)

Law Enforcement Officers' and Fire Fighter's Retirement System Plan 2 (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
P.O. Box 48380
Olympia, WA 98540-8380

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

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

At June 30, 2017 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1 UAAL	16,565.54	4,745,078,000	0.00275392%	130,676	
PERS 2/3	21,635.77	3,474,522,000	0.00354227%	123,077	
LEOFF 2	13,006.01	(1,387,676,000)	0.00823305%		(114,248)
				\$ 253,752	\$ (114,248)

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 Mattawa is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2017, there are 201 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision; Equipment Breakdown; and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,784,067.00.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to

City of Mattawa
Notes to the Financial Statements
For the year ended December 31, 2017

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

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2017, were \$1,501,903.83.

Note 8 - Other Disclosures

Contingencies & litigations

The City of Mattawa placed one of its police officers on administrative leave for a period of 11 months. After a thorough investigation of misuse of police power, the officer was then fired from his position. The officer hired legal counsel to represent him in an appeal to the city's Civil Service Board. The city's Civil Service Board upheld the city's firing of the officer after a weeklong hearing of facts. The officer's legal counsel then filed a tort claim against the city for civil rights violation/whistle blower. This appeal was denied by the Division 3 Court of Appeals on April 24, 2018. The plaintiff has until May 24, 2018 to file a petition for review with the Supreme Court.

Interlocal Agreements

CENTRAL BASIN INVESTIGATION TEAM – Public Trust for Police Investigations
GRANT COUNTY FIRE DISTRICT NO.8 – Fire services
GRANT COUNTY MUNICIPAL COURT – Court services
GRANT COUNTY MACC – Dispatch services
GRANT COUNTY PUD – Serve as PUD pay station
GRANT COUNTY SHERIFF – Contracted services

State Treasurer Distributions Check Variance

The difference is because the BARS code is posting to a fiduciary fund. \$60,808 is posting to BARS code 3132100 in Fund 640.

CITY OF MATTAWA
MCAG #0316
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mattawa was incorporated on 1958 and operates under the laws of the state of Washington applicable to a non charter code city with mayor-council form of government. The City of Mattawa is a general purpose local government and provides public safety, street services, park, general administrative services, as well as fire protection and health through contracted services. In addition, the city owns and operates a water and waste water treatment system.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

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

Special Revenue Funds (100-199)

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

Capital Project Funds (300 – 399)

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 (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. 401 Water Operating Fund, 405 Sewer Operating Fund and 420 Solid Waste Fund.

FIDUCIARY FUND TYPES:

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

Agency Funds (631-699)

This fund is used to account assets that the City of Mattawa holds on behalf of others in a custodial capacity. (Water, sewer and garbage customer deposits.)

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 Mattawa also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The City of Mattawa adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
-----------------	----------------------------	-----------------	----------

001 - Current Expense Fund			
Current Expense Fund	1,774,839.00	1,012,176.30	762,662.70
Police Vehicle Fund	12,109.00	10,900.00	1,209.00
Library Fund	1,431.00		1,431.00
Total 001 - Current Expense Fund	1,788,379.00	1,023,076.30	765,302.70
101 - Street Fund			
Street Fund	1,627,995.00	843,225.06	784,769.94
Multimodal Transportation Fund			
Total 101 - Street Fund	1,627,995.00	843,225.06	784,769.94
140 - Transportation Benefit District	60,000.00		60,000.00
350 - Capital Improvement Fund	129,980.00	51,151.00	78,829.00
401 - Water Operating Fund			
Water Operating Fund	1,023,826.21	392,122.13	631,704.08
Water Bond Debt Fund	107,615.00	70,179.41	37,435.59
Water Bond Reserve Fund	79,334.00		79,334.00
Water Emergency Fund	58,778.00		58,778.00
Water Capital Improvement	26,940.00		26,940.00
Water System Construction	104,916.00		104,916.00
Total 401 - Water Operating Fund	1,401,409.21	462,301.54	939,107.67
405 - Sewer Operating Fund			
Sewer Operating Fund	945,515.22	425,275.97	520,239.25
Sewer Debt Fund	479,800.00	74,729.13	405,070.87
Sewer Emergency Fund	57,207.00		57,207.00
Sewer Reserve Fund	78,792.00		78,792.00
Sewer Capital Improvement	214,922.00	51,828.66	163,093.34

Total 405 - Sewer Operating Fund	1,776,236.22	551,833.76	1,224,402.46
420 - Solid Waste Fund	403,100.00	310,100.61	92,999.39
635 - Customer Deposit Fund	18,802.00	2,027.00	16,775.00

Budgeted amounts are authorized to be transferred between departments within any fund or 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 of Mattawa's legislative body. The budget shown above is as adopted in ordinance 15-581 and does not include ending balances. Transfers in the amount of \$96,180 have been eliminated in the table above due to consolidation. See "other disclosures" for the notes on the budget amendments for 2016.

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year (policy #2013-02). Capital assets and inventory are recorded as capital 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 separation or retirement employees are eligible to receive payment of 1/2 of their unused sick leave after 5 years of employment. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, Debt Service Requirements.

H. Risk Management

PROPERTY & LIABILITY -- The City of Mattawa is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and

jointly purchase insurance and administrative services. As of December 1, 2016, there are 205 members in the program.

The program provides the following forms of joint self insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown and Crime Protection; and Liability, including General, Automobile and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000, self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,718,302.

Property insurance is subject to a per-occurrence self insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended December 1, 2016 were \$1,484,482.16.

I. Reserved Portion of Ending Cash and Investments

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

Fund	Description	Amount
General Fund #001	Reserved for the Library Fund ending balance per ordinance 359	\$1,430.00
Street Fund #101	Reserved for the motor vehicle tax revenue and ordinance 31	\$417,170.00
Capital Improvement Fund #350	Reserved for the real estate excise tax revenue and ordinance 245	\$72,344.00
Water Loan Reserves Fund #401 (404)	Reserved for water loan reserves	\$79,334.00
Sewer Loan Reserve Fund #405 (410)	Reserved for sewer loan reserves	\$78,979.00
Customer Deposit Fund #635 (agency fund)	Reserved for utility deposits	\$16,775.00
Total Reserves		\$666,032.00

NOTE 2 - DEPOSITS AND INVESTMENTS

It is the City Of Mattawa'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 (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC). All investments are insured, registered or held by the City of Mattawa or its agent in the government's name.

Investments are reported at either fair market value or cost. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>City of Mattawa</u>	<u>Total</u>
L.G.I.P. (FMV)	\$ 225,004.50	\$ 225,004.50
2.11 Year Government Bond (Cost)	\$ 701,042.40	\$ 701,042.40
4 Year Government Bond (Cost)	\$1,002,722.00	\$1,002,722.00

3.7 Year Government Bond (Cost)	\$ 996,220.00	\$ 996,220.00
TOTAL	\$2,924,988.90	\$2,924,988.90

NOTE 3 – PROPERTY TAX

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

The City Of Mattawa's regular levy for the year 2016 was \$2.3725026729 per \$1,000 on an assessed valuation of \$54,933,034 for a total regular levy of \$130,328.77.

NOTE 4 - DEBT SERVICE REQUIREMENTS

Debt Service

The accompanying Schedule of Liabilities (Schedule 9) provides more details of the outstanding debt and liabilities of the City Of Mattawa and summarizes the City Of Mattawa's debt transactions for year ended December 31, 2016.

The debt service requirements for revenue bonds are as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	149,290.50	47,248.76	196,539.26
2018	125,186.41	43,474.79	168,661.20
2019	120,870.91	39,568.37	160,439.28
2020	114,413.68	35,524.15	149,937.83
2021	118,066.01	31,336.67	149,402.68
2022-2026	650,437.98	88,441.73	738,879.71
2027-2031	143,261.12	2,865.22	146,126.34
TOTALS	\$ 1,421,526.61	\$ 288,459.69	\$1,709,986.30

NOTE 5 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Mattawa 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 Plan 2 (PERS)

Law Enforcement Officers' and Fire Fighter's Retirement System Plan 2 (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
P.O. Box 48380
Olympia, WA 98504-8380

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

At June 30, 2016 the City of Mattawa's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.002828%	\$151,877
PERS 2/3	.003629%	\$182,717
LEOFF 2	.009223%	(\$53,644)

LEOFF Plan 2

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

NOTE 6 – OTHER DISCLOSURES

LEGAL COMPLIANCE

The budget shown above in Note 1(C) is as adopted in ordinance 15-581 and does not include ending balances.

BUDGET ADJUSTMENTS

The 2016 budget was amended November 3rd and December 15th, 2016, general fund in the amount \$144,283.00, water fund for \$12,000.00 and sewer fund for \$6,600.00.

GRANTS AND LOANS

The City has been approved for a planning grant/loan from Department of Ecology to develop an Engineering Report for the City's wastewater treatment facility. This will be \$60,000.00 loan and \$60,000.00 forgivable principal (grant).

The Washington State Transportation Improvement Board awarded the city a grant for street overlay improvements on portions of Saddle Mountain Drive in the amount of \$397,920.00.

CONTINGENCIES AND LITIGATION

The City of Mattawa placed one of its police officers on administrative leave for a period of 11 months. After a thorough investigation of misuse of police power, the officer was then fired from his position. The officer hired legal counsel to represent him in an appeal to the city's Civil Service Board. The city's Civil Service Board upheld the city's firing of the officer after a weeklong hearing of facts. The officer's legal counsel then filed a tort claim against the city for civil rights violation/whistle blower. That litigation is pending as of February. 18, 2017.

INTERLOCAL AGREEMENTS

CENTRAL BASIN INVESTIGATION TEAM -- Public Trust For Police Investigations
GRANT COUNTY FIRE DISTRICT #8 -- Fire Services
GRANT COUNTY MUNICIPAL COURT -- Court Services
GRANT COUNTY MACC -- Dispatch Services
GRANT COUNTY PUD -- Serve as PUD Paystation
GRANT COUNTY SHERIFF -- Contracted Services

COMPENSATED ABSENCES/ACCRUED LEAVE

The City of Mattawa's compensated absences/leave accrual at 12/31/16 was \$54,415.00 and is documented in Schedule 9.

City of Mattawa
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						
251.11	DOE Planning Loan	6/1/2037	27,351	3,677	-	31,028
Total General Obligation Debt/Liabilities:			27,351	3,677	-	31,028
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	DOE L980024	1/1/2019	29,908	-	29,908	-
252.11	DOE L980025	1/1/2019	15,386	-	15,386	-
252.11	COLUMBIA BANK -- WATER	6/1/2027	622,581	-	46,164	576,417
252.11	COLUMBIA BANK -- SEWER	6/1/2027	472,144	-	35,009	437,135
263.88	PW 07 962-014	7/1/2027	254,157	-	23,105	231,052
259.12	COMPENSATED ABSENCES		54,415	-	12,865	41,550
264.30	PENSION LIABILITY		334,594	-	80,842	253,752
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,783,185	-	243,279	1,539,906
Total Liabilities:			1,810,536	3,677	243,279	1,570,934

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	DOE L9800024	1/1/2019	39,877	-	9,969	29,908
252.11	DOE L9800025	1/1/2019	26,924	-	11,538	15,386
252.11	COLUMBIA BANK -- WATER	6/1/2027	666,970	-	44,389	622,581
252.11	COLUMBIA BANK -- SEWER	6/1/2027	505,807	-	33,663	472,144
252.11	DOE PLANNING LOAN	6/1/2037	-	27,351	-	27,351
263.88	PW 07 962-014	7/1/2027	277,263	-	23,106	254,157
259.12	COMPENSATED ABSENCES		47,550	35,102	28,237	54,415
264.30	PENSION LIABILITY		283,145	51,449	-	334,594
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,847,536	113,902	150,902	1,810,536
Total Liabilities:			1,847,536	113,902	150,902	1,810,536

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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