



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

# **Financial Statements Audit Report**

## **City of Tekoa**

**For the period January 1, 2015 through December 31, 2017**

**Published January 31, 2019**

**Report No. 1023135**





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

January 31, 2019

Mayor and City Council  
City of Tekoa  
Tekoa, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Summary Schedule of Prior Audit Findings .....	4
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.....	5
Independent Auditor's Report on Financial Statements.....	8
Financial Section.....	11
About the State Auditor's Office.....	48

# City of Tekoa

PO Box 927  
Tekoa, WA 99033  
509-284-3861 Fax 509-284-3590

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Tekoa January 1, 2015 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2014 through December 31, 2014	<b>Report Ref. No.:</b> 1014989	<b>Finding Ref. No.:</b> 2014-001
<b>Finding Caption:</b> The City did not have adequate internal controls in place to ensure accurate financial reporting.		
<b>Background:</b> Our fiscal year 2014 audit identified a significant deficiency in internal controls over financial reporting. This was primarily because the City did not report activity for its Capitalization Grants for Clean Water State Revolving Funds federal loan on its Schedule of Expenditures of Federal Awards (SEFA), Schedule of Liabilities or the related note disclosures as required by the <i>Budgeting, Accounting and Reporting Standards</i> (BARS) manual.  Our audit found \$323,351 of 2014 expenditures in the Capitalization Grants for Clean Water Revolving Funds program (CFDA 66.458) were not included on the SEFA, which increased expenditures and created a new major program required for audit. In addition, the City did not report the related loan proceeds of \$388,036 in its Schedule of Liabilities and related note disclosures. The City corrected these errors.		
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The City now ensures they know where the grant funding comes from. The clerk checks all grant awards to be sure if it includes federal funds, or knows if it is a state or local grant.</i>		

**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 Tekoa  
January 1, 2015 through December 31, 2017**

Mayor and City Council  
City of Tekoa  
Tekoa, 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 Tekoa, as of and for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 9, 2019.

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 the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we will report to the management of the City in a separate letter dated January 23, 2019.

## **COMPLIANCE AND OTHER MATTERS**


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

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

## **PURPOSE OF THIS REPORT**

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

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

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

Pat McCarthy  
State Auditor  
Olympia, WA

January 9, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Tekoa January 1, 2015 through December 31, 2017

Mayor and City Council  
City of Tekoa  
Tekoa, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Tekoa, for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control



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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Tekoa 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 Tekoa, for the years ended December 31, 2017, 2016 and 2015, 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 Tekoa, as of December 31, 2017, 2016 and 2015, 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 January 9, 2019 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

January 9, 2019

## **FINANCIAL SECTION**

### **City of Tekoa January 1, 2015 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017  
Fund Resources and Uses Arising from Cash Transactions – 2016  
Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2017  
Notes to Financial Statements – 2016  
Notes to Financial Statements – 2015

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2017  
Schedule of Liabilities – 2016  
Schedule of Liabilities – 2015

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>103 Cemetery Endowment</u>	<u>105 Airport Fund</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	227,259	-	102,138	-
30880	Unreserved	916,806	324,411	-	8,306
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	256,963	230,668	-	-
320	Licenses and Permits	2,217	2,217	-	-
330	Intergovernmental Revenues	163,494	135,694	-	-
340	Charges for Goods and Services	622,435	147,592	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	27,052	11,196	179	4,809
Total Revenues:		<u>1,072,161</u>	<u>527,366</u>	<u>179</u>	<u>4,809</u>
<b>Expenditures</b>					
510	General Government	90,923	90,923	-	-
520	Public Safety	106,312	106,312	-	-
530	Utilities	535,755	139,529	-	-
540	Transportation	161,318	158,999	-	2,319
550	Natural and Economic Environment	348	348	-	-
560	Social Services	263	263	-	-
570	Culture and Recreation	9,895	9,895	-	-
Total Expenditures:		<u>904,813</u>	<u>506,268</u>	<u>-</u>	<u>2,319</u>
Excess (Deficiency) Revenues over Expenditures:		167,348	21,099	179	2,490
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	28,696	26,296	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	12,448	12,448	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>41,143</u>	<u>38,743</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	24,183	13,489	-	-
591-593, 599	Debt Service	156,493	-	-	-
597	Transfers-Out	28,696	2,400	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	1,631	1,631	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>211,004</u>	<u>17,521</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(2,511)</b>	<b>42,322</b>	<b>179</b>	<b>2,490</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	227,450	-	102,317	-
5088000	Unreserved	914,102	366,731	-	10,796
<b>Total Ending Cash and Investments</b>		<b>1,141,552</b>	<b>366,731</b>	<b>102,317</b>	<b>10,796</b>

The accompanying notes are an integral part of this statement.

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

		<b>362 CDBG Planning Only Grant</b>	<b>401 Water Fund</b>	<b>402 Sewer Fund</b>	<b>455 CDBG Engineering Sew Line</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	115,000	10,121	-
30880	Unreserved	-	331,051	253,038	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	12,996	13,299	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	22,800	-	5,000	-
340	Charges for Goods and Services	-	249,263	225,580	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	6,298	4,571	-
Total Revenues:		22,800	268,557	248,450	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	24,000	168,021	204,206	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		24,000	168,021	204,206	-
Excess (Deficiency) Revenues over Expenditures:		(1,200)	100,536	44,244	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,200	1,200	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,200	1,200	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	10,694
591-593, 599	Debt Service	-	115,268	41,225	-
597	Transfers-Out	-	12,996	13,299	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	128,264	54,525	10,694
<b>Increase (Decrease) in Cash and Investments:</b>		-	<b>(26,528)</b>	<b>(10,281)</b>	<b>(10,694)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	115,000	10,133	-
5088000	Unreserved	-	304,522	242,746	(10,694)
<b>Total Ending Cash and Investments</b>		-	<b>419,522</b>	<b>252,879</b>	<b>(10,694)</b>

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>103 Cemetery Endowment</u>	<u>105 Airport Fund</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	111,257	-	101,136	-
30880	Unreserved	1,038,551	357,781	-	7,231
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	245,384	245,384	-	-
320	Licenses and Permits	2,599	2,599	-	-
330	Intergovernmental Revenues	87,083	58,054	-	-
340	Charges for Goods and Services	611,377	137,172	900	-
350	Fines and Penalties	50	50	-	-
360	Miscellaneous Revenues	20,164	9,594	102	3,949
Total Revenues:		<u>966,657</u>	<u>452,852</u>	<u>1,002</u>	<u>3,949</u>
<b>Expenditures</b>					
510	General Government	147,296	147,296	-	-
520	Public Safety	112,852	112,852	-	-
530	Utilities	409,290	137,495	-	-
540	Transportation	85,804	82,930	-	2,874
550	Natural and Economic Environment	6,942	6,942	-	-
560	Social Services	102	102	-	-
570	Culture and Recreation	6,760	6,760	-	-
Total Expenditures:		<u>769,047</u>	<u>494,377</u>	<u>-</u>	<u>2,874</u>
Excess (Deficiency) Revenues over Expenditures:		197,611	(41,525)	1,002	1,075
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,200	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	11,539	11,539	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>12,739</u>	<u>11,539</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	56,180	-	-	-
591-593, 599	Debt Service	156,528	-	-	-
597	Transfers-Out	1,200	1,200	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	2,185	2,185	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>216,092</u>	<u>3,385</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(5,743)</b>	<b>(33,371)</b>	<b>1,002</b>	<b>1,075</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	227,259	-	102,138	-
5088000	Unreserved	916,806	324,411	-	8,306
<b>Total Ending Cash and Investments</b>		<b><u>1,144,064</u></b>	<b><u>324,411</u></b>	<b><u>102,138</u></b>	<b><u>8,306</u></b>

The accompanying notes are an integral part of this statement.

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

		<u>364 TIB Park Street Grant</u>	<u>401 Water Fund</u>	<u>402 Sewer Fund</u>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	10,121
30880	Unreserved	32,651	403,452	237,436
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	23,529	5,500
340	Charges for Goods and Services	-	262,764	210,541
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	3,678	2,842
Total Revenues:		-	289,971	218,883
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	109,775	162,021
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	109,775	162,021
Excess (Deficiency) Revenues over Expenditures:		-	180,196	56,862
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	1,200	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	1,200	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	32,651	23,529	-
591-593, 599	Debt Service	-	115,268	41,260
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		32,651	138,797	41,260
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(32,651)</b>	<b>42,599</b>	<b>15,602</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	115,000	10,121
5088000	Unreserved	-	331,051	253,038
<b>Total Ending Cash and Investments</b>		<b>-</b>	<b>446,051</b>	<b>263,159</b>

**City of Tekoa**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>103 Cemetery Endowment</u>	<u>104 Streets &amp; Roads</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	146,141	-	100,000	-
30880	Unreserved	973,080	254,112	-	89,933
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	306,658	202,696	-	103,961
320	Licenses and Permits	7,882	7,882	-	-
330	Intergovernmental Revenues	797,381	44,607	-	22,360
340	Charges for Goods and Services	609,112	137,652	975	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	14,804	4,418	161	119
Total Operating Revenues:		<u>1,735,837</u>	<u>397,255</u>	<u>1,136</u>	<u>126,440</u>
<b>Operating Expenditures</b>					
510	General Government	129,948	129,948	-	-
520	Public Safety	97,344	97,344	-	-
530	Utilities	415,880	142,253	-	-
540	Transportation	120,077	-	-	117,184
550	Natural and Economic Environment	6,921	6,921	-	-
560	Social Services	134	134	-	-
570	Culture and Recreation	9,115	9,115	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>779,418</u>	<u>385,714</u>	<u>-</u>	<u>117,184</u>
Net Operating Increase (Decrease):		<u>956,418</u>	<u>11,540</u>	<u>1,136</u>	<u>9,256</u>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	5,723	5,723	-	-
391-393	Debt Proceeds	11,014	-	-	-
397	Transfers-In	11,152	9,952	-	-
Total Nonoperating Revenues:		<u>27,889</u>	<u>15,674</u>	<u>-</u>	<u>-</u>
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	1,679	1,679	-	-
591-593	Debt Service	186,223	-	-	-
594-595	Capital Expenditures	754,668	19,855	-	-
597	Transfers-Out	11,152	700	-	500
Total Nonoperating Expenditures:		<u>953,721</u>	<u>22,234</u>	<u>-</u>	<u>500</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b><u>30,585</u></b>	<b><u>4,981</u></b>	<b><u>1,136</u></b>	<b><u>8,756</u></b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	111,257	-	101,136	-
5088000	Unreserved	1,038,551	259,093	-	98,688
<b>Total Ending Cash and Investments</b>		<b><u>1,149,807</u></b>	<b><u>259,093</u></b>	<b><u>101,136</u></b>	<b><u>98,688</u></b>

The accompanying notes are an integral part of this statement.



**City of Tekoa**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<u>105 Airport Fund</u>	<u>360 TIB Warren Street Grant</u>	<u>362 CDBG Planning Only Street Grant</u>	<u>364 TIB Park Street Grant</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	25,942	-	-
30880	Unreserved	5,910	-	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	11,124	-	1,193	700,212
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	4,179	-	-	-
Total Operating Revenues:		<u>15,303</u>	<u>-</u>	<u>1,193</u>	<u>700,212</u>
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	2,273	-	619	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>2,273</u>	<u>-</u>	<u>619</u>	<u>-</u>
Net Operating Increase (Decrease):		13,030	-	574	700,212
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	11,709	25,942	-	667,561
597	Transfers-Out	-	-	574	-
Total Nonoperating Expenditures:		<u>11,709</u>	<u>25,942</u>	<u>574</u>	<u>667,561</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>1,321</b>	<b>(25,942)</b>	<b>0</b>	<b>32,651</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	7,231	-	-	32,651
<b>Total Ending Cash and Investments</b>		<b>7,231</b>	<b>-</b>	<b>-</b>	<b>32,651</b>

The accompanying notes are an integral part of this statement.

**City of Tekoa**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<u>401 Water Fund</u>	<u>402 Sewer Fund</u>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	20,198
30880	Unreserved	399,313	223,812
388 & 588	Prior Period Adjustments, Net	-	-
<b>Operating Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	3,610	14,275
340	Charges for Goods and Services	246,881	223,605
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	3,213	2,714
	Total Operating Revenues:	<u>253,704</u>	<u>240,594</u>
<b>Operating Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	131,887	141,740
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
598	Miscellaneous Expenses	-	-
	Total Operating Expenditures:	<u>131,887</u>	<u>141,740</u>
	Net Operating Increase (Decrease):	<u>121,817</u>	<u>98,854</u>
<b>Nonoperating Revenues</b>			
370-380, 395 & 398	Other Financing Sources	-	-
391-393	Debt Proceeds	-	11,014
397	Transfers-In	1,200	-
	Total Nonoperating Revenues:	<u>1,200</u>	<u>11,014</u>
<b>Nonoperating Expenditures</b>			
580, 596 & 599	Other Financing Uses	-	-
591-593	Debt Service	115,268	70,955
594-595	Capital Expenditures	3,610	25,989
597	Transfers-Out	-	9,377
	Total Nonoperating Expenditures:	<u>118,878</u>	<u>106,321</u>
	<b>Net Increase (Decrease) in Cash and Investments:</b>	<b><u>4,139</u></b>	<b><u>3,547</u></b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	10,121
5088000	Unreserved	403,452	237,436
	<b>Total Ending Cash and Investments</b>	<b><u>403,452</u></b>	<b><u>247,556</u></b>

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

# CITY OF TEKOA, WASHINGTON

## NOTES TO FINANCIAL STATEMENTS

January 1, 2017 through December 31, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tekoa was incorporated in 1889 and operates under the laws of the State of Washington applicable to a second-class city. The City of Tekoa is a general purpose local government and provides public safety, fire prevention, street improvement, health and social services and general administrative services. In addition, the City of Tekoa owns and operates its own water and sewer system.

The City of Tekoa 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 or Current Expense Fund

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

##### Special Revenue Funds

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

##### Debt Service Funds

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

## Capital Project Funds

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

### PROPRIETARY FUND TYPES

#### Enterprise Funds

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

### **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 Tekoa 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 Tekoa adopts annual appropriated budgets for general, special revenue and enterprise 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 - General Fund			
General Fund	450,478.51	261,042.36	189,436.15
Cemetery Department	26,209.97	15,525.74	10,684.23
Streets and Roads	197,252.66	159,498.64	37,754.02
Fire Department	31,552.15	25,003.03	6,549.12
Criminal Justice Fund	69,057.44	62,718.66	6,338.78
Total 001 - General Fund	774,550.73	523,788.43	250,762.30
103 - Cemetery Endowment	102,036.32		102,036.32
105 - Airport Fund	10,564.30	2,318.87	8,245.43

362 –CDBG Planning Only Grant	24,000.00	24,000.00	0.00
401 - Water Fund			
Water Fund	446,772.56	296,285.18	150,487.38
Water Reserve	237,208.52		237,208.52
Total 401 - Water Fund	683,981.08	296,285.18	387,695.90
402 - Sewer Fund			
Sewer Fund	323,060.42	258,730.39	64,330.03
Sewer Debt Service	10,120.58		10,120.58
Sewer Reserve Plant Project	166,783.52		166,783.52
Total 402 - Sewer Fund	499,964.52	258,730.39	241,234.13
455 – CDBG Engineering Sew Ln Rplcmt		10,693.69	-10,693.69

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

**D. CASH AND INVESTMENTS**

See Note 2 – Deposits and Investments.

**E. CAPITAL ASSETS**

Capital assets and inventory are recorded as capital expenditures when purchased.

**F. COMPENSATED ABSENCES**

The Schedule 9, schedule of liabilities, includes the estimate of vacation and sick leave accumulated, except Duane Groom who is paid sick leave and it is included on the Schedule 9.

Vacation leave may be accumulated up to 40 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 240 hours. Upon separation or retirement employees do not receive payment for unused sick leave, except Duane Groom who was grandfathered in when this policy was adopted. If Duane Groom quits, we would owe him \$6,415.20 for his sick leave hours.

Compensatory time must be used by October 1<sup>st</sup> each year, or the employee may request an extension from the City Council. Payments are recognized as expenditures when paid.

## G. LONG-TERM DEBT

See Note #4 – Debt Service Requirements.

## H. RESERVED PORTION OF ENDING CASH AND INVESTMENTS

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

Reservations of Ending Cash and Investments consist of: The Cemetery Endowment Fund is reserved. Ordinance No. 374 and 682 says, “All monies in the Endowment Fund shall be held in trust and shall be invested in the manner provided for investment of endowment card by RCW 68.44.030 and 30.24.020. The income earned from such investment shall be paid into the Cemetery Fund or may be retained in the Endowment Fund as an addition to principal.”

The water reserve fund is used for major repairs to the water system. \$115,000 is reserved for the debt service on the USDA Loan.

We also have a sewer reserve fund that we have used to pay back the sewer loan for the sewer line replacements over the years. We now pay the sewer loans directly out of the sewer fund. It is also used to save money for upgrades to the sewer lines that we make ourselves and for major sewer repairs.

## I. RISK MANAGEMENT

The City of Tekoa is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). 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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 31, 2017, 99 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) and pollution liability coverage are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1

million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2017, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool’s Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

It is the City of Tekoa'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 Tekoa or its agent in the government’s name.

Investments are reported at fair value.

**Investments by type on December 31, 2017 are as follows:**

CD's	Bank of Fairfield	\$ 123,814.82
	US Bank Cem Endowment	\$ 102,811.79
	US Bank	\$ 102,329.62
	US Bank	\$ 51,164.81
Savings	LGIP State Inv Pool	<u>\$ 634,334.14</u>
		\$1,014,455.18

**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 of Tekoa's regular levy for 2017 was \$2.37041057 per \$1,000 on an assessed valuation of \$29,952,617 for a total regular levy of \$71,000.00.

**NOTE 4 - DEBT SERVICE REQUIREMENTS**

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

The debt service requirements for the general obligation debt including both principal and interest, are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$76,692.79	\$79,766.14	\$156,458.93
2019	78,443.50	77,981.06	156,424.56
2020	80,052.57	76,337.62	156,390.19
2021	82,075.91	74,279.90	156,355.81
2022	83,964.97	72,356.48	156,321.45
2023-2027	407,260.76	332,788.75	740,049.51
2028-2032	431,388.17	280,509.00	711,897.17
2033-2037	404,206.12	223,593.04	627,799.16
2038-2042	405,676.48	170,663.52	576,340.00
2043-2047	464,635.35	111,704.65	576,340.00
2048-2052	528,066.88	44,184.06	572,250.94
Total	\$3,042,463.50	\$1,544,164.22	\$4,586,627.72

**NOTE 5 - PENSION PLANS**

Substantially all City of Tekoa full-time and qualifying part-time employees participate in the Public Employee Retirement System (PERS 2 and 3) administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

Department of Retirement Systems  
 Communications Unit  
 PO Box 48380  
 Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The City of Tekoa also participates in the Volunteer Fire Fighters' and Reserve Officers Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available



from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2017, the City of Tekoa's proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1 UAAL	0.160000%	75,921
PERS 2/3	0.205800%	71,506
LEOFF 1	0.069300%	(10,514)
BVFF	.18%	67,605.83

#### LEOFF PLAN 1

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

#### NOTE 6 – HEALTH AND WELFARE

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

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

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map,

and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

#### **NOTE 7 – OTHER DISCLOSURES**

The City of Tekoa has one LEOFF 1 Retiree restricting future resources of the city.

The city has a contract with the Whitman County Sheriff's office and paid them \$47,480.42 in 2017.

# CITY OF TEKOA, WASHINGTON

## NOTES TO FINANCIAL STATEMENTS

January 1, 2016 through December 31, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tekoa was incorporated in 1889 and operates under the laws of the State of Washington applicable to a second class city. The City of Tekoa is a general purpose local government and provides public safety, fire prevention, street improvement, health and social services and general administrative services. In addition, the City of Tekoa owns and operates its own water and sewer system.

The City of Tekoa 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 or Current Expense Fund

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

###### Special Revenue Funds

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

Capital Project Funds

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

**PROPRIETARY FUND TYPES**

Enterprise Funds

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

**B. BASIS OF ACCOUNTING**

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 Tekoa 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 Tekoa adopts annual appropriated budgets for general, special revenue and enterprise 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 - General Fund			
General Fund	499,000.00	300,394.25	198,605.75
Cemetery Department	23,235.06	20,296.85	2,938.21
Streets and Roads	168,554.90	83,430.05	85,124.85
Fire Department	35,000.00	31,651.61	3,348.39
Criminal Justice Fund	71,505.25	61,989.11	9,516.14
Total 001 - General Fund	797,295.21	497,761.87	299,533.34

103 - Cemetery Endowment	102,036.32		102,036.32
105 - Airport Fund	10,800.00	2,874.10	7,925.90
364 - TIB Park Street Grant	200,000.00	32,650.82	167,349.18
401 - Water Fund			
Water Fund	435,000.00	225,043.33	209,956.67
Water Reserve	236,885.15		236,885.15
USDA RD Water Loan/Grant	30,000.00	23,528.77	6,471.23
Total 401 - Water Fund	701,885.15	248,572.10	453,313.05
402 - Sewer Fund			
Sewer Fund	306,000.00	191,080.26	114,919.74
Sewer Debt Service	10,120.58		10,120.58
Sewer Reserve Plant Project	158,560.00	12,200.00	146,360.00
Total 402 - Sewer Fund	474,680.58	203,280.26	271,400.32

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

#### **D. CASH AND INVESTMENTS**

See Note 2 – Deposits and Investments.

#### **E. CAPITAL ASSETS**

Capital assets and inventory are recorded as capital expenditures when purchased.

#### **F. COMPENSATED ABSENCES**

The Schedule 9, schedule of liabilities, includes the estimate of vacation and sick leave accumulated, except Duane Groom who is paid sick leave and it is included on the Schedule 9.

Vacation leave may be accumulated up to 40 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 240 hours. Upon separation or retirement employees do not receive payment for unused sick leave, except Duane Groom who was grandfathered in when

this policy was adopted. If Duane Groom quits, we would owe him \$6,230.40 for his sick leave hours.

Compensatory time must be used by October 1<sup>st</sup> each year, or the employee may request an extension from the City Council. Payments are recognized as expenditures when paid.

## **G. LONG-TERM DEBT**

See Note #4 – Debt Service Requirements.

## **H. OTHER FINANCING SOURCES OR USES**

The City of Tekoa’s other financing sources or uses consist of agency revenues.

## **I. RISK MANAGEMENT**

The City of Tekoa is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). 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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 31, 2016, 98 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials’ liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the

Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year, and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

## **J. RESERVED PORTION OF ENDING CASH AND INVESTMENTS**

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

Reservations of Ending Cash and Investments consist of: The Cemetery Endowment Fund is reserved. Ordinance No. 374 and 682 says, "All monies in the Endowment Fund shall be held in trust and shall be invested in the manner provided for investment of endowment card by RCW 68.44.030 and 30.24.020. The income earned from such investment shall be paid into the Cemetery Fund or may be retained in the Endowment Fund as an addition to principal."

The water reserve fund is used for major repairs to the water system. We also use \$115,000 for the debt service on the USDA Loan.

We also have a sewer reserve fund that we have used to pay back the sewer loan for the sewer line replacements over the years. We now pay the sewer loans directly out of the sewer fund. It is also used to save money for upgrades to the sewer lines that we make ourselves and for major sewer repairs.

## **NOTE 2 – DEPOSITS AND INVESTMENTS**

It is the City of Tekoa'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 Tekoa or its agent in the government's name.

Investments are reported at fair value.

**Investments by type on December 31, 2016 are as follows:**

CD's	Bank of Fairfield	\$ 123,444.08
	US Bank Cem Endowment	\$ 102,751.28
	US Bank	\$ 102,269.39
	US Bank	\$ 51,134.69
Savings	LGIP State Inv Pool	\$ <u>528,528.64</u>
		\$ 908,128.08

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

The City of Tekoa's regular levy for 2016 was \$2.355643 per \$1,000 on an assessed valuation of \$30,663,950 for a total regular levy of \$72,233.39.

**NOTE 4 - DEBT SERVICE REQUIREMENTS**

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

The debt service requirements for the general obligation debt including both principal and interest, are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$74,985.93	\$81,507.38	\$156,493.31
2018	76,692.79	79,766.14	156,458.93
2019	78,443.50	77,981.06	156,424.56
2020	80,052.57	76,337.62	156,390.19
2021	82,075.91	74,279.90	156,355.81
2022-2026	405,813.98	342,615.82	748,429.80
2027-2031	427,501.77	291,338.96	718,840.73
2032-2036	418,747.50	234,781.26	653,528.76
2037-2041	394,818.95	181,521.05	576,340.00
2042-2046	452,199.86	124,140.14	576,340.00
2047-2051	517,921.26	58,418.74	576,340.00
2052	108,195.41	2,983.53	111,178.94
Totals	\$3,117,449.43	\$1,625,671.60	\$4,747,210.09



**NOTE 5 - PENSION PLANS**

Substantially all City of Tekoa full-time and qualifying part-time employees participate in the Public Employee Retirement System (PERS 2 and 3) administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

At June 30, 2016, the City of Tekoa's proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1 UAAL	0.135300%	72,662
PERS 2/3	0.173200%	87,205
LEOFF 1	0.068300%	(7,037)
BVFF	.17%	(29,394.46)

**LEOFF PLAN 1**

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

## **NOTE 6 – HEALTH AND WELFARE**

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

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

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

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

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

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

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

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

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

#### **NOTE 7 – OTHER DISCLOSURES**

The City of Tekoa has one LEOFF 1 Retiree restricting future resources of the city.

The city has a contract with the Whitman County Sheriff's office and paid them \$47,010 in 2016.

# CITY OF TEKOA, WASHINGTON

## NOTES TO FINANCIAL STATEMENTS

January 1, 2015 through December 31, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tekoa was incorporated in 1889 and operates under the laws of the State of Washington applicable to a second class city. The City of Tekoa is a general purpose local government and provides public safety, fire prevention, street improvement, health and social services and general administrative services. In addition, the City of Tekoa owns and operates its own water and sewer system.

The City of Tekoa 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 or Current Expense Fund

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

###### Special Revenue Funds

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

Capital Project Funds

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

**PROPRIETARY FUND TYPES**

Enterprise Funds

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

**B. BASIS OF ACCOUNTING**

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 Tekoa 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 Tekoa adopts annual appropriated budgets for general, special revenue and enterprise 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 - General Fund			
General Fund	350,783.62	300,516.34	50,267.28
Cemetery Department	56,200.00	25,969.55	30,230.45
Fire Department	29,895.32	20,110.69	9,784.63
Criminal Justice Fund	62,000.00	61,351.77	648.23
Total 001 - General Fund	498,878.94	407,948.35	90,930.59
103 - Cemetery Endowment	50,000.00		50,000.00

104 - Streets & Roads	146,000.00	117,684.39	28,315.61
105 - Airport Fund	18,400.00	13,982.79	4,417.21
360 - TIB Warren Street Grant	30,000.00	25,942.35	4,057.65
362 - CDBG Planning Only Street Grant	3,574.32	1,193.43	2,380.89
364 - TIB Park Street Grant	820,310.62	667,561.49	152,749.13
401 - Water Fund			
Water Fund	277,068.00	247,154.63	29,913.37
USDA RD Water Loan/Grant	50,000.00	3,610.38	46,389.62
Total 401 - Water Fund	327,068.00	250,765.01	76,302.99
402 - Sewer Fund			
Sewer Fund	220,300.00	212,694.94	7,605.06
DOE/CDBG Sewer Line Replacement	84,377.49	35,366.69	49,010.80
Total 402 - Sewer Fund	304,677.49	248,061.63	56,615.86

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

#### **D. CASH AND INVESTMENTS**

See Note 3 – Deposits and Investments.

#### **E. CAPITAL ASSETS**

Capital assets and inventory are recorded as capital expenditures when purchased.

#### **F. COMPENSATED ABSENCES**

The Schedule 9, schedule of liabilities, includes the estimate of vacation and sick leave accumulated, except Duane Groom who is paid sick leave and it is included on the Schedule 9.

Vacation leave may be accumulated up to 40 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 240 hours. Upon separation or retirement employees do not receive payment for unused sick leave, except Duane Groom who was grandfathered in when this policy was adopted. If Duane Groom quits, we would owe him \$5,488.80 for his sick leave hours.

Compensatory time must be used by October 1<sup>st</sup> each year, or the employee may request an extension from the City Council. Payments are recognized as expenditures when paid.

## **G. LONG-TERM DEBT**

See Note #4 – Debt Service Requirements.

## **H. OTHER FINANCING SOURCES OR USES**

The City of Tekoa's other financing sources or uses consist of agency revenues.

## **I. RISK MANAGEMENT**

The City of Tekoa is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). 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 AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 31, 2015, 102 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2015, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year, and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

## **J. RESERVED PORTION OF ENDING CASH AND INVESTMENTS**

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

Reservations of Ending Cash and Investments consist of: The Cemetery Endowment Fund is reserved. Ordinance No. 374 and 682 says, "All monies in the Endowment Fund shall be held in trust and shall be invested in the manner provided for investment of endowment card by RCW 68.44.030 and 30.24.020. The income earned from such investment shall be paid into the Cemetery Fund or may be retained in the Endowment Fund as an addition to principal."

The water reserve fund is used for major repairs to the water system. It is not a true reserve, but a place to put money in a separate fund to save money for repairs. Starting next year, we will use \$115,000.00 from this fund for the debt service on the USDA Loan.

We also have a sewer reserve fund that we have used to pay back the sewer loan for the sewer line replacements over the years. We now pay the sewer loans directly out of the sewer fund. It is also used to save money for upgrades to the sewer lines that we make ourselves and to save money for the sewer treatment plant upgrades in the future.

## **NOTE 2 - 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 from the county. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Tekoa's regular levy for 2015 was \$2.553787 per \$1,000 on an assessed valuation of \$27,682,447 for a total regular levy of \$70,695.17. The special street levy for 2015 was \$1.842571 per \$1,000 on an assessed valuation of \$27,136,005 for a total special levy of \$50,000.09.



**NOTE 3 – DEPOSITS AND INVESTMENTS**

It is the City of Tekoa'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 Tekoa or its agent in the government's name.

Investments are reported at fair value.

**Investments by type on December 31, 2015 are as follows:**

CD's	Bank of Fairfield	\$ 123,104.44
	US Bank Cem Endowment	\$ 102,646.93
	US Bank	\$ 102,165.52
	US Bank	\$ 51,082.76
Savings	LGIP State Inv Pool	\$ 526,086.48
		\$ 905,086.1

**NOTE 4 - DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Tekoa and summarizes the city's debt transactions for year ended December 31, 2015.

The debt service requirements for the general obligation debt including both principal and interest, are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$73,321.76	\$83,205.92	\$156,527.68
2017	74,985.93	81,507.38	156,493.31
2018	76,692.79	79,766.14	156,458.93
2019	78,443.50	77,981.06	156,424.56
2020	80,052.57	76,337.62	156,390.19
2021-2025	404,492.95	352,317.14	756,810.09
2026-2030	423,759.47	302,059.18	725,818.65
2031-2035	433,244.10	246,014.26	679,258.36
2036-2040	384,138.67	192,201.33	576,340.00
2041-2045	440,097.19	136,242.81	576,340.00
2046-2050	504,059.62	72,280.38	576,340.00
2051-2052	217,482.64	8,964.30	226,446.94
<b>Total</b>	<b>\$3,190,771.19</b>	<b>\$1,708,877.52</b>	<b>\$4,899,648.71</b>

In 2015, the City received a loan from the Department of Ecology (see DOE Sewer Line Replacement on Schedule 09). The original amount was \$399,050.45 and the interest increased by \$5,557.19. Therefore, the final loan amount is \$404,607.64. The loan repayment began on September 30, 2015 with a principle payment of \$10,757.94, making the debt schedule included above – \$393,849.70.

**NOTE 5 - PENSION PLANS**

Substantially all City of Tekoa full-time and qualifying part-time employees participate in the Public employee Retirement System (PERS 2 and 3) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

At June 30, 2015, the City of Tekoa’s proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1 UAAL	0.001198%	62,667
PERS 2/3	0.001546%	55,239
LEOFF 1	0.000676%	(8,147)
BVFF	0.08%	(15,582)

**LEOFF PLAN 1**

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

## **NOTE 6 – HEALTH AND WELFARE**

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

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

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust

member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

#### **NOTE 7 – OTHER DISCLOSURES**

The City of Tekoa has one LEOFF 1 Retiree restricting future resources of the city.

In 2014, the interfund transfer did not get dropped between rolled funds, which overstated expenditures and understated ending balance by \$17,206 in the water fund.

In 2014, the transfer in to the general fund got dropped for no reason, which understated revenues and understated the ending fund by \$11,065.00.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.81	USDA Water	1/1/2052	2,610,901	-	43,468	2,567,433
263.81	Dept of Ecology Sewer Loan	8/6/2022	46,924	-	7,531	39,393
263.81	PWTF Sew Loan PC08-951-048	7/1/2028	82,497	-	6,875	75,622
263.81	DOE Sewer Line Rplcment	12/31/2035	377,126	-	17,112	360,014
<b>Total General Obligation Debt/Liabilities:</b>			<b>3,117,449</b>	<b>-</b>	<b>74,986</b>	<b>3,042,463</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.30	Pension Liability		159,867	-	12,477	147,390
259.12	Compensated Absenses		11,744	26	-	11,769
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>171,611</b>	<b>26</b>	<b>12,477</b>	<b>159,160</b>
<b>Total Liabilities:</b>			<b>3,289,059</b>	<b>26</b>	<b>87,463</b>	<b>3,201,622</b>

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
263.81	USDA Water Loan	1/1/2052	2,653,206	-	42,305	2,610,901
263.81	Dpt of Ecology Sewer Loan	8/6/2022	54,343	-	7,419	46,924
263.81	PWTF Sew Laon PC08-951-048	7/1/2028	89,372	-	6,875	82,497
263.81	DOE Sewer Line Replacement	12/31/2035	393,850	-	16,724	377,126
<b>Total General Obligation Debt/Liabilities:</b>			<b>3,190,771</b>	<b>-</b>	<b>73,322</b>	<b>3,117,449</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		9,612	2,132	-	11,744
264.30	Net Pension Liability		117,906	41,961	-	159,867
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>127,518</b>	<b>44,093</b>	<b>-</b>	<b>171,611</b>
<b>Total Liabilities:</b>			<b>3,318,289</b>	<b>44,093</b>	<b>73,322</b>	<b>3,289,059</b>

**City of Tekoa  
Schedule of Liabilities  
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
263.81	USDA Water Loan	1/1/2052	2,694,379	-	41,173	2,653,206
263.81	Dpt of Ecology Sewer Loan	8/6/2022	61,651	-	7,308	54,343
263.81	PWTF Sewer Loan PC08-951-048	7/1/2028	96,247	-	6,875	89,372
263.81	DOE Sewer Planning Loan	12/31/2017	41,991	-	41,991	-
263.81	DOE Sewer Line Replacement	12/31/2035	388,036	16,572	10,758	393,850
<b>Total General Obligation Debt/Liabilities:</b>			<b>3,282,304</b>	<b>16,572</b>	<b>108,104</b>	<b>3,190,771</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		9,142	470	-	9,612
264.30	Net Pension Liability		-	117,906	-	117,906
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>9,142</b>	<b>118,376</b>	<b>-</b>	<b>127,518</b>
<b>Total Liabilities:</b>			<b>3,291,446</b>	<b>134,948</b>	<b>108,104</b>	<b>3,318,289</b>

## 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.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>