



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Tenino

For the period January 1, 2017 through December 31, 2018

Published November 27, 2019

Report No. 1025174





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

November 27, 2019

Mayor and City Council
City of Tenino
Tenino, Washington

Report on Financial Statements

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

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

Sincerely,

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

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	10
About the State Auditor's Office.....	40

**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 Tenino
January 1, 2017 through December 31, 2018**

Mayor and City Council
City of Tenino
Tenino, 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 Tenino, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated November 20, 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.

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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 20, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Tenino January 1, 2017 through December 31, 2018

Mayor and City Council
City of Tenino
Tenino, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Tenino, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

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 Tenino 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 cash and investments of the City of Tenino, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, 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 Tenino, as of December 31, 2018 and 2017, 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 November 20, 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

November 20, 2019

FINANCIAL SECTION

City of Tenino January 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to Financial Statements – 2018
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Liabilities – 2017

City of Tenino
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 General Government Fund #001	310 Municipal Capital Imp Fund 310	401 Water Fund
Beginning Cash and Investments					
30810	Reserved	100,000	-	-	-
30880	Unreserved	2,820,499	247,376	257,783	947,123
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	927,265	900,858	26,407	-
320	Licenses and Permits	45,775	45,775	-	-
330	Intergovernmental Revenues	362,463	175,816	186,647	-
340	Charges for Goods and Services	1,545,087	63,701	-	263,697
350	Fines and Penalties	62,324	33,395	-	17,827
360	Miscellaneous Revenues	44,272	31,740	900	4,491
Total Revenues:		2,987,186	1,251,284	213,954	286,014
Expenditures					
510	General Government	303,826	303,826	-	-
520	Public Safety	530,562	530,562	-	-
530	Utilities	564,388	1,051	-	197,959
540	Transportation	84,571	84,571	-	-
550	Natural and Economic Environment	68,768	66,253	2,515	-
560	Social Services	-	-	-	-
570	Culture and Recreation	156,223	156,223	-	-
Total Expenditures:		1,708,338	1,142,486	2,515	197,959
Excess (Deficiency) Revenues over Expenditures:		1,278,848	108,799	211,439	88,056
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	688,956	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	41,670	41,670	-	-
381, 395, 398	Other Resources	45,843	-	33,607	12,237
Total Other Increases in Fund Resources:		776,469	41,670	33,607	12,237
Other Decreases in Fund Resources					
594-595	Capital Expenditures	356,821	47,381	261,586	-
591-593, 599	Debt Service	569,497	(2,889)	-	-
597	Transfers-Out	688,956	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	36,321	36,321	-	-
581	Other Uses	12,237	12,237	-	-
Total Other Decreases in Fund Resources:		1,663,831	93,049	261,586	-
Increase (Decrease) in Cash and Investments:		391,485	57,420	(16,540)	100,293
Ending Cash and Investments					
5081000	Reserved	100,000	-	-	-
5088000	Unreserved	3,211,986	304,795	241,243	1,047,415
Total Ending Cash and Investments		3,311,986	304,795	241,243	1,047,415

The accompanying notes are an integral part of this statement.

City of Tenino
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		402 Water Capital Imp Fund	403 Stormwater Fund	410 Sewer Fund	421 Sewer Capital Improvement
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	625,139	38,873	148,144	556,061
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	53,805	-	1,096,657	67,227
350	Fines and Penalties	-	-	11,102	-
360	Miscellaneous Revenues	2,319	170	-	4,558
Total Revenues:		56,124	170	1,107,759	71,786
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	365,377	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	365,377	-
Excess (Deficiency) Revenues over Expenditures:		56,124	170	742,382	71,785
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	35,965	1,338	-	10,551
591-593, 599	Debt Service	6,673	-	-	-
597	Transfers-Out	-	-	688,956	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		42,638	1,338	688,956	10,551
Increase (Decrease) in Cash and Investments:		13,486	(1,168)	53,426	61,234
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	638,626	37,705	201,570	617,295
Total Ending Cash and Investments		638,626	37,705	201,570	617,295

City of Tenino
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		422 Sewer Reserve Fund
Beginning Cash and Investments		
30810	Reserved	100,000
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	94
Total Revenues:		94
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		94
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	688,956
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		688,956
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	565,712
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		565,712
Increase (Decrease) in Cash and Investments:		123,338
Ending Cash and Investments		
5081000	Reserved	100,000
5088000	Unreserved	123,338
Total Ending Cash and Investments		223,338

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

		Total for All Funds (Memo Only)	001 General Government Fund #001	301 Energy Efficiency Grant	310 Municipal Capital Imp Fund 310
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	2,700,336	303,925	740	188,847
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	923,298	894,762	-	28,536
320	Licenses and Permits	40,164	40,164	-	-
330	Intergovernmental Revenues	252,306	148,819	51,387	52,100
340	Charges for Goods and Services	1,405,859	41,085	-	-
350	Fines and Penalties	70,815	21,377	-	-
360	Miscellaneous Revenues	78,374	23,362	-	1,490
Total Revenues:		2,770,816	1,169,569	51,387	82,126
Expenditures					
510	General Government	265,969	265,969	-	-
520	Public Safety	541,308	541,308	-	-
530	Utilities	650,284	1,190	-	-
540	Transportation	72,797	72,797	-	-
550	Natural and Economic Environment	39,909	39,909	-	-
560	Social Services	27	27	-	-
570	Culture and Recreation	148,005	148,005	-	-
Total Expenditures:		1,718,299	1,069,205	-	-
Excess (Deficiency) Revenues over Expenditures:		1,052,517	100,364	51,387	82,126
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	193,533	-	6,329	55,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	36,691	36,691	-	-
381, 395, 398	Other Resources	65,808	3,143	-	33,607
Total Other Increases in Fund Resources:		296,032	39,834	6,329	88,607
Other Decreases in Fund Resources					
594-595	Capital Expenditures	298,327	79,685	58,457	95,467
591-593, 599	Debt Service	574,883	420	-	-
597	Transfers-Out	193,533	55,000	-	6,329
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	32,584	32,584	-	-
581	Other Uses	29,058	29,058	-	-
Total Other Decreases in Fund Resources:		1,128,385	196,747	58,457	101,796
Increase (Decrease) in Cash and Investments:		220,164	(56,549)	(741)	68,937
Ending Cash and Investments					
5081000	Reserved	100,000	-	-	-
5088000	Unreserved	2,820,499	247,376	-	257,783
Total Ending Cash and Investments		2,920,499	247,376	-	257,783

The accompanying notes are an integral part of this statement.

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

		401 Water Fund	402 Stormwater Fund	403 Sewer Reserve Fund #403	410 Sewer Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	869,678	50,324	72,568	66,761
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	231,745	-	-	1,046,644
350	Fines and Penalties	34,725	-	-	14,713
360	Miscellaneous Revenues	1,940	76	252	48,222
Total Revenues:		268,410	76	252	1,109,579
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	220,023	2,890	-	426,181
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		220,023	2,890	-	426,181
Excess (Deficiency) Revenues over Expenditures:		48,387	(2,814)	252	683,398
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	132,204	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	29,058	-	-	-
Total Other Increases in Fund Resources:		29,058	-	132,204	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	8,636	-	6,918
591-593, 599	Debt Service	-	-	105,024	462,893
597	Transfers-Out	-	-	-	132,204
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	8,636	105,024	602,016
Increase (Decrease) in Cash and Investments:		77,445	(11,450)	27,432	81,382
Ending Cash and Investments					
5081000	Reserved	-	-	100,000	-
5088000	Unreserved	947,123	38,873	-	148,144
Total Ending Cash and Investments		947,123	38,873	100,000	148,144

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

		420 Water Capital Imp Fund #420	421 Sewer Construction Fund
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	611,721	535,771
388 / 588	Prior Period Adjustments, Net	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	42,929	43,456
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	1,157	1,876
Total Revenues:		44,086	45,331
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	-
Excess (Deficiency) Revenues over Expenditures:		44,086	45,332
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	24,122	25,042
591-593, 599	Debt Service	6,545	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		30,667	25,042
Increase (Decrease) in Cash and Investments:		13,419	20,290
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	625,139	556,061
Total Ending Cash and Investments		625,139	556,061

City of Tenino
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	Investment Trust	Agency
308	Beginning Cash and Investments	5,524	-	5,524
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	111,414	37,949	73,465
510-590	Deductions	112,754	39,349	73,404
	Net Increase (Decrease) in Cash and Investments:	(1,340)	(1,400)	61
508	Ending Cash and Investments	4,185	(1,400)	5,585

The accompanying notes are an integral part of this statement.

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

	Agency
308 Beginning Cash and Investments	6,407
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	57,704
510-590 Deductions	58,587
Net Increase (Decrease) in Cash and Investments:	(883)
508 Ending Cash and Investments	5,524

The accompanying notes are an integral part of this statement.

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

Summary of Significant Accounting Policies

The City of Tenino was incorporated on July 19, 1906, and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City is a general-purpose local government and provides public safety, water, and sewer utility services

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

of others. The City has one such fund: Court Trust Fund (631).

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Deposits and Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the government's name.

Investments are reported at their fair market value. Investments by type at December 31, 2018 are as follows:

Type of Investment	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	Total
Local Government Investment Pool	\$323,558.22		\$323,558.22
Timberland Savings Account	\$1,229,088.06		\$1,229,088.06
<i>Totals</i>	\$ 1,552,646	\$ -	\$ 1,552,646

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of three (3) years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 120 hours and is payable upon separation or retirement. Sick leave under the Washington Paid Sick Leave law may be accumulated up to 40 hours per year and such sick leave will remain available to any employee who, after separation for any reason, returns to the City's employ within 12 months. The City has its own sick leave program and sick leave under the City's

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

program may be accumulated up to 720 hours. Upon separation or retirement employees do not receive payment for unused sick leave. The City authorizes Compensatory Time in lieu of overtime, when an employee agrees to accept Comp Time ILO overtime. The City only allows 40 hours of accrued Comp Time. Comp time is paid upon separation or retirement. Payments are recognized as expenditures when paid. At the conclusion of 2018, the total Compensated Absence liability of the City was \$33,989.64.

Employee Name	Position	Accrual Type	Ending Balance	Hourly Rate	Factor	Cost	Total Cost
Barnes, Veronica A	Court/Admin Clerk	Comp Time	\$12.75	\$22.54	1	\$287.39	\$309.38
Barnes, Veronica A	Court/Admin Clerk	Vacation	\$106.62	\$22.54	1	\$2,403.21	\$2,587.06
Millard, John C	Clerk/Treasurer	Vacation	\$114.42	\$28.98	1	\$3,315.89	\$3,569.56
Nelson, Denise C	Admin/Utility Clerk	Vacation	\$179.50	\$22.54	1	\$4,045.93	\$4,355.44
Klumper, Craig S	Police Officer	Vacation	\$27.99	\$21.61	1	\$604.86	\$651.13
Rodriguez, Maria	Police Clerk	Vacation	\$123.61	\$20.41	1	\$2,522.88	\$2,715.88
Swain, Robert	Chief of Police	Vacation	\$40.00	\$27.61	1	\$1,104.40	\$1,188.89
White, Jonathan H	Police Officer	Vacation	\$121.31	\$21.61	1	\$2,621.51	\$2,822.06
Baker, Tyler J	Maintenance Worker	Comp Time	\$40.00	\$20.33	1	\$813.20	\$875.41
Baker, Tyler J	Maintenance Worker	Vacation	\$106.02	\$20.33	1	\$2,155.39	\$2,320.28
Burnham, Jack W	Maintenance Helper	Comp Time	\$40.00	\$12.90	1	\$516.00	\$555.47
Burnham, Jack W	Maintenance Helper	Vacation	\$52.00	\$12.90	1	\$670.80	\$722.12
Cannon, Troy LK	Director of Public W	Vacation	\$130.76	\$27.61	1	\$3,610.28	\$3,886.47
Gibbs, Brent L	Maintenance Worker	Comp Time	\$40.00	\$20.33	1	\$813.20	\$875.41
Gibbs, Brent L	Maintenance Worker	Vacation	\$91.19	\$20.33	1	\$1,853.89	\$1,995.71
Plaja, Jason M	Maintenance Worker	Comp Time	\$40.00	\$21.86	1	\$874.40	\$941.29
Plaja, Jason M	Maintenance Worker	Vacation	\$153.75	\$21.86	1	\$3,360.98	\$3,618.09
Total							\$33,989.64

F. Debt Service Requirements.

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for the year ended December 31, 2018.

The debt service requirements for USDA-RD Bonds, Sewer Construction and Pre-Constructions Loans, and Drinking Water State Revolving Fund Loans are as follows:

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

Year	Principal	Interest	Total Debt Service
2019	490,015.00	80,037.00	570,052.00
2020	491,188.00	76,658.00	567,846.00
2021	492,393.00	73,247.00	565,640.00
2022	493,632.00	69,803.00	563,435.00
2023	494,905.00	66,324.00	561,229.00
2024-2028	1,558,794.00	280,917.00	1,839,711.00
2029-2033	307,269.00	230,941.00	538,210.00
2034-2038	337,226.00	187,894.00	525,120.00
2039-2043	386,571.00	138,549.00	525,120.00
2024-2028	443,137.00	81,983.00	525,120.00
2044-2048	348,238.00	19,346.00	367,584.00
<i>Totals</i>	5,843,368.00	1,305,699.00	7,149,067.00

G. 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 Tenino City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of: Sewer Reserve Fund (Fund 422)

Fund Name	Amount Reserved	Reason for Restriction
Sewer Reserve Fund	\$100,000	Bond Covenant, Ordinance 812, Bond Ordinance, March 27, 2012

H. Budget Compliance

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

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

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

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Government Fund #001	1,273,395.00	1,273,435.00	-40.00
General Government Fund #001	1,112,907.00	1,101,611.00	11,296.00
Quarry Pool Fund #002	37,805.00	39,873.00	-2,068.00
City Street Fund #101	122,683.00	131,951.00	-9,268.00
310 - Municipal Capital Imp Fund 310	1,035,610.00	264,101.00	771,509.00
401 - Water Fund	227,271.00	197,959.00	29,312.00
402 - Water Capital Imp Fund	160,576.00	42,638.00	117,938.00
403 - Stormwater Fund	28,286.00	1,338.00	26,948.00
410 - Sewer Fund	672,022.00	1,037,161.00	-365,139.00
421 - Sewer Capital Improvement Fund	21,667.00	10,551.00	11,116.00
422 - Sewer Reserve Fund	614,202.00	565,712.00	48,490.00
601 - SWWAIP Trust Fund	75,000.00	39,349.00	35,651.00
631 - Municipal Court Trust Fund #631	42,238.00	73,404.30	-31,166.30
Total All Funds	4,150,267.00	3,505,648.30	644,618.70

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

Ordinance 888, adopted by the City Council on July 10, 2018, directed the establishment of the Southwest Washington Agriculture & Innovation Park (SWWAIP) Trust Fund (Fund #601) for the purpose of receiving and disbursing funds dedicated to the initial planning efforts for the SWWAIP. The City anticipates this fund will remain in existence until such time as the park has been developed to the point where the City will no longer be needed as an intermediary to facilitate the planning and development efforts of the park.

Ordinance 895, adopted by the City Council on December 11, 2018, directed the Clerk/Treasurer to transfer funds from the General Fund (Fund 001) to the Quarry Pool Fund (Fund 002), the Street Fund (Fund 101), and the Contingency Fund (Fund 109) as part of the Fiscal Year Closeout. The ordinance also directed the Clerk/Treasurer to transfer \$100,000.00 from the Sewer Fund (Fund 410) to the Sewer Reserve Fund (Fund 422) in order to satisfy the reserve requirements of the City's USDA-RD bond agreement as published in Ordinance 812 on February 20, 2012.

While the above table shows several accounts that had negative balances on December 31, 2018, it must be remembered that these amounts refer to the budget as planned and actually executed, and does not reflect monies being held by the City's chosen financial institutions.

J. Property Taxes

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

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

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

The city's regular levy for the year 2018 was:

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular	2.426390983	117344048	\$284,722.54

K. Interfund Loans

The following table displays interfund loan activity during 2018:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
General Fund	Water Fund	\$12,236.58		\$12,236.58	\$0.00

M. OPEB Plans

The City has one (1) LEOFF 1 retiree for whom it is responsible. The City paid \$7,576.08 in Medical Plan benefits on the retiree's behalf in 2018.

N. Pension Plans

State Sponsored Pension Plans

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

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

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

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

At June 30, 2018 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1	17506.32	4,466,034,000	0.00261900%	116,965	
PERS 1 UAAL		4,466,034,000		-	
PERS 2/3	25813.83	1,707,411,000	0.00334500%	57,113	
LEOFF 1		(1,815,502,000)	0.00119800%		(21,750)
LEOFF 2	9844.18	(2,030,218,000)	0.00567700%		(115,255)
			<i>Totals</i>	\$ 174,078	\$ (137,005)

LEOFF Plan 1

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

LEOFF Plan 2

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

O. Risk Management

The City of Tenino 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 by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2018, 100 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, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

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. The \$9 million in excess liability 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 2018, 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.

P. Other Disclosures

Prior year beginning/ending balance discrepancies. In comparing ending balances of the 2017 Schedule 1 to the beginning balances of the 2018 Schedule 1, there are apparent discrepancies. This is due to the fact that the City reorganized its chart of accounts to group all the water funds and all the sewer funds together.

Fund 402 was the Stormwater Fund, but is now the Water Capital Improvement Fund

Fund 403 was the Sewer Reserve Fund, but is now the Stormwater Fund

Fund 420 was closed.

Fund 421 was the Sewer Construction Fund, but is now the Sewer Capital Improvement Fund.

Fund 422 did not exist in 2017 and was created to contain the Sewer Reserve Fund.

2017 Funds		2018 Funds	
401	Water Fund	401	Water Fund
402	Stormwater Fund	402	Water Capital Improvement Fund
403	Sewer Reserve Fund	403	Stormwater Fund
410	Sewer Fund	410	Sewer Fund
420	Water Capital Improvement Fund	421	Sewer Capital Improvement Fund
421	Sewer Construction Fund	422	Sewer Reserve Fund

City of Tenino
Notes to the Financial Statements
For the year ended December 31, 2018

Law Enforcement Records Management System Joint Venture

The LERMS is a joint venture providing accurate and timely criminal justice data sharing to the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The goal of this joint venture is to share public safety information, increase operational efficiency via a reduction in data entry, and ease the process of accessing information. These goals will improve officer and citizen safety, facilitate coordination and information sharing to both internal and external agencies, and improve data quality and timeliness of data accessibility. It is governed through an interlocal agreement by the LERMS Consortium, which is a five-member board composed of each City's Chief of Police (or their designee).

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2018, the City of Tenino has a 1% share of the equity. Net Assets as of December 31, 2018, were \$673. The City of Tenino reports its share of equity interest as an investment in joint venture.

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium).

Unemployment Compensation

The City self-insures with respect to Unemployment Insurance claims. The Clerk/Treasurer administers all such claims against the City.

- Number of claims received: 2
- Number of claims paid: 2
- Total amount of claims paid: \$6890

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

Note 1 - Summary of Significant Accounting Policies

The City of Tenino was incorporated on July 19, 1906, and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City is a general purpose local government and provides public safety, water, and sewer utility services

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

The City has five such funds: Water Fund (401), Stormwater Fund (402), Sewer Reserve Fund

(403), Sewer Fund (410), and the Sewer Construction Fund (421)

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The City has one such fund: Court Trust Fund (631)

Agency Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, the city also recognizes expenditures paid during 20 days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
General Government Fund #001	\$1,280,670.00	\$1,391,906.00	-\$111,236.00
General Government Fund #001	\$1,112,149.00	\$1,227,535.00	-\$115,386.00
Quarry Pool Fund #002	\$35,818.00	\$39,593.00	-\$3,775.00
City Street Fund #101	\$132,676.00	\$124,555.00	\$8,121.00
Contingency Fund #109	\$0.00	\$0.00	\$0.00
Community Development Fund #110	\$27.00	\$223.00	-\$196.00
Energy Efficiency Grant Fund #301	\$0.00	\$58,457.00	-\$58,457.00
Municipal Capital Improvement Fund #310	\$140,975.00	\$101,796.00	\$39,179.00
Water Fund #401	\$238,081.00	\$220,023.00	\$18,058.00
Stormwater Fund #402	\$19,636.00	\$11,526.00	\$8,110.00
Sewer Reserve Fund #403	\$105,025.00	\$105,024.00	\$1.00
Sewer Fund #410	\$1,088,128.00	\$1,011,024.00	\$77,104.00
Water Capital Improvement Fund #420	\$210,659.00	\$30,667.00	\$179,992.00
Sewer Construction Fund #421	\$166,000.00	\$25,042.00	\$140,958.00
Municipal Court Trust Fund #631	\$31,504.00	\$58,587.00	-\$27,083.00
Total All Funds	\$3,280,678.00	\$3,014,052.00	\$266,626.00

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

2017 was a very dynamic year for Tenino. Please note the above chart pertains only to expenditures. What is not shown is that the City realized 104.6% of revenue projections. The City ended the year with a positive net change of \$219,281.00.

A budget amendment, Ordinance 882, adopted on December 12, 2017, directed the Clerk/Treasurer to: 1) Close the Community Development Fund (#110) by executing an Interfund Transfer of all remaining 110 funds to the Quarry Pool Fund (#002); 2) Bring the Quarry Pool Fund to an ending balance of \$1.00 via an Interfund Transfer from the General Fund; 3) Close the Energy Efficiency Grant Fund (#301) by executing an Interfund Transfer from the Municipal Capital Improvement Fund (310) to zero balance Fund 301; 4) Rename the Sewer Construction Fund to the Sewer Capital Improvement Fund; and 5) Renummer the Water Capital Improvement Fund to #402, the Stormwater Fund to #403, and the Sewer Reserve Fund to 422. This ordinance resulted in a smaller chart of accounts and a more streamlined operating budget beginning in 2018.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

With the publication of the City of Tenino Financial Policy Manual in December of 2017, the City now defines “capital assets” as any single item costing \$1000 or more and which has a useful life of three (3) or more year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 120 hours during the year, Compensatory time is computed at time and a half and may be accrued up to 40 hours; both Compensatory time and Vacation Leave are payable upon separation or retirement. Sick leave may be accumulated up to 400 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. As of December 31, 2017, Tenino’s obligations are:

Employee Name	Position	Accrual Type	Last Date Accrued	Ending Balance	Hourly Rate	Factor (1, 1.5, etc.)	Total Cost
Baker, Tyler J	Maintenance Worker	Vacation	12/31/2017	12	18.36	1	\$237.17
Baker, Tyler J	Maintenance Worker	Comp	12/31/2017	0.5	18.36	1	\$9.88
Barnes, Veronica A	Court/Admin Clerk	Vacation	12/31/2017	118.12	21.13	1	\$2,686.81
Barnes, Veronica A	Court/Admin Clerk	Comp	12/31/2017	0.03	21.13	1	\$0.68
Cannon, Troy LK	Public Works Director	Vacation	12/31/2017	138.85	25.53	1	\$3,816.02
Gibbs, Brent L	Maintenance Worker	Vacation	12/31/2017	28	18.36	1	\$553.41
Gibbs, Brent L	Maintenance Worker	Comp	12/31/2017	63.5	18.36	1	\$1,255.05
Millard, John C	Clerk/Treasurer	Vacation	12/31/2017	97	26.8	1	\$2,798.47
Moody, Donald L	Chief of Police	Vacation	12/31/2017	89.31	34.02	1	\$3,270.76
Nelson, Denise C	Utility/Admin Clerk	Vacation	12/31/2017	145	21.13	1	\$3,298.23
Nelson, Denise C	Utility/Admin Clerk	Comp	12/31/2017	3.03	21.13	1	\$68.92
Plaja, Jason M	Maintenance Worker	Vacation	12/31/2017	114.67	18.36	1	\$2,266.40
Plaja, Jason M	Maintenance Worker	Comp	12/31/2017	51.5	18.36	1	\$1,017.87
Rodriguez, Maria	Police Clerk	Vacation	12/31/2017	114.53	18.43	1	\$2,272.26
White, Jonathan H	Police Officer	Vacation	12/31/2017	96	21.65	1	\$2,237.40
White, Jonathan H	Police Officer	Float	12/31/2017	10	21.65	1	\$233.06
Wilson, Susannah J	Police Officer	Vacation	12/31/2017	88.6	23.27	1	\$2,219.44
Subtotals							\$28,241.85

G. Long-Term Debt

See note 4, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments.

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

The City is the recipient of a USDA Bond and two USDA-RD loans obtained as part of the financing package for the building of the Tenino Wastewater Treatment Plant. The Bond and both loans have as a condition that the City reserve a portion of the sewer revenues to ensure adequate funds to service the debt requirements of both the bond and the loans. The City established the “Sewer Reserve Fund” (Fund 403) to meet these requirements. The status of this fund is as shown,

below.

Fund Name	Amount Reserved	Reason for Restriction
Sewer Reserve Fund #403	\$100,000	USDA-RD Bond

Note 2 – Deposits and Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the government's name.

Investments are reported fair value. Investments by type as of December 31, 2017 are as follows:

Type of Investment

Local Government Investment Pool (L.G.I.P.)	\$ 316,477.80
Timberland "Super High Yield Platinum" Savings	\$1,223,660.15
<u>Total</u>	<u>\$1,540,137.95</u>

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

The city's regular levy for the year 2017 was \$2.589657269544 per \$1,000 on an assessed valuation of \$107,677,484 for a total regular levy of \$278,557.05.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2017:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
1-Jan-17	31-Dec-17	\$41,294.41	\$0.00	\$29,057.83	\$12,236.58

This loan was the result of a decision by the Department of Retirement Services wherein the City was to reimburse the Department for paying retirement benefits on behalf of a former employee who had exceeded the statutory hourly requirements for concurrent receipt of retirement benefits and active employment. The

loan was made from the City's Water Fund, to the General Fund. This loan will be fully repaid in May of 2018.

Note 5 – Debt Service Requirements

Debt Service

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

The debt service requirements for general obligation bonds, revenue bonds including both principle and interest are as follows:

Year	Principal	Interest	Total Debt Service
2018	488,873	83,384	572,257
2019	490,015	80,037	570,052
2020	491,188	76,658	567,846
2021	492,393	73,247	565,640
2022	487,087	69,803	556,890
2023-2027	1,960,261	296,385	2,256,646
2028-2032	286,253	238,867	525,120
2033-2037	328,140	196,980	525,120
2038-2042	376,156	148,964	525,120
2043-2047	431,197	93,923	525,120
2048-2052	441,772	30,836	472,608
Totals	\$ 6,273,335	\$ 1,389,084	\$ 7,662,419

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all of the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS2 and LEOFF2.

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

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

Department of Retirement Systems

Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

LEOFF Plan 1

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

LEOFF Plan 2

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

As of June 30, 2017 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contribution	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1	15149	4,745,078,000	0.00251900%	119,529	
PERS 2/3	19788	3,474,522,000	0.00324000%	112,575	
LEOFF 1		(1,517,220,000)	0.00118600%		(17,994)
LEOFF 2	10232	(1,387,676,000)	0.00647700%		(89,880)
				\$ 232,103	\$ (107,874)

Note 7 – Risk Management

The City of Tenino 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 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, pollution liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) and pollution liability coverages 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. The \$9 million in excess liability 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 8 – Other Disclosures

A. Corrections of Material Errors in Prior Years.

As a result of a Financial Statement and Accountability Audit conducted by the State Auditor's Office beginning in January of 2017, the following schedules and notes were corrected and re-submitted:

Schedule 9 (Schedule of Liabilities). This schedule was corrected to reflect the true status of the City's long term debts.

Notes to Financial Statements. The notes to the financial statements were amended to account for the corrected Schedule 9, address the Joint Venture created by the City's participation in the Law Enforcement Records Management System, and to make other administrative corrections to better address the state of the City's finances as they existed in 2016.

B. Law Enforcement Records Management System Joint Venture

The LERMS is a joint venture providing accurate and timely criminal justice data sharing to the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The goal of this joint venture is to share public safety information, increase operational efficiency via a reduction in data entry,

and ease the process of accessing information. These goals will improve officer and citizen safety, facilitate coordination and information sharing to both internal and external agencies, and improve data quality and timeliness of data accessibility. It is governed through an interlocal agreement by the LERMS Consortium, which is a five-member board composed of each City's Chief of Police (or their designee).

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2017, the City of Tenino has a 1% share of the equity. Net Assets as of December 31, 2017, were \$673. The City of Tenino reports its share of equity interest as an investment in joint venture.

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium).

All property is considered to be jointly owned. Parties will be reimbursed based on their contribution upon sale of property upon the dissolution of LERMS. Any member may withdraw from the agreement at the end of any calendar year, providing a notice to the Consortium no less than six months prior to the date of withdrawal. Withdrawal of a party will not terminate the agreement of the remaining parties.

The City of Olympia accounts for the joint venture in a separate agency fund. Completed Financial Statements can be obtained from the City of Olympia Administrative Services Department, PO Box 1967, Olympia, WA 98507.

C. Interlocal or Other Contractual Agreements.

City of Tenino had inter-local or other contractual agreements with the following entities in 2017:

- American Legion (weapons storage)
- Miles Sand & Gravel (reclaimed water use)
- Portland Energy Conservation, Inc (energy efficiency initiatives)
- South sound Senior Services (provision of Senior Lunch Program services)
- Tenino Food Warehouse (provision of food bank services)
- Lacey Police Department (use of the 663 Training Facility)
- AMC-RMSA (Risk Management Services)
- Chehalis Indian Tribe (jail services)
- Thurston Economic Development Council (economic development services)
- Thurston Emergency Management Council (emergency management preparation and services)
- Thurston County Fire District #12 (provision of Fire and EMS services)
- Joint Legal Defense (resource pool in the event of catastrophic legal costs)
- Thurston County Sheriff's Office (law enforcement assistance and services)
- Thurston County Central Services (vehicle fleet maintenance)
- Thurston County Public Works (road maintenance services)
- Thurston Regional Planning Council (city planning/land use services)
- Timberland Regional Library (provision of library services)
- Law Office of Richard L. Hughes (City Attorney)
- Gibbs & Olson (civil engineering services)
- Hillier, Scheibmeier, & Associates (Prosecuting Attorney)
- Public Safety Testing (administration of Civil Service testing and examinations)

- Water/Wastewater Services (operation of the City's wastewater treatment plant)

Unemployment Compensation

The City self-insures with respect to Unemployment Insurance claims. The Clerk/Treasurer administers all such claims against the City.

- Number of claims received: 2
- Number of claims paid: 2
- Total amount of claims paid: \$5894

City of Tenino
Schedule of Liabilities
For the Year Ended December 31, 2018

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	DWSRF Corrosion Control Loan	12/31/2031	85,087	-	6,545	78,542
263.83	PWB PRE 119 Sewer Design	12/31/2025	431,050	-	53,882	377,168
263.83	PWB 044 Sewer Construction	12/31/2026	3,485,032	-	387,226	3,097,806
263.83	USDA-RD Bond	12/31/2052	2,331,344	-	41,220	2,290,124
Total General Obligation Debt/Liabilities:			6,332,513	-	488,873	5,843,640
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		28,242	5,748	-	33,990
264.30	Net Pension Liability		232,103	-	58,025	174,078
Total Revenue and Other (non G.O.) Debt/Liabilities:			260,345	5,748	58,025	208,068
Total Liabilities:			6,592,858	5,748	546,898	6,051,708

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		18,423	9,819	-	28,242
264.30	Net Pension Liability		286,249	-	54,146	232,103
263.62	DWSRF Corrosion Control Loan	12/31/2031	91,632	-	6,545	85,087
263.62	PWB PRE 119 Sewer Design	12/31/2025	484,932	-	53,882	431,050
263.62	PWB 044 Sewer Construction	12/31/2026	3,872,258	-	387,226	3,485,032
263.62	USDA-RD Bond	12/31/2052	2,371,454	-	40,110	2,331,344
Total Revenue and Other (non G.O.) Debt/Liabilities:			7,124,948	9,819	541,909	6,592,858
Total Liabilities:			7,124,948	9,819	541,909	6,592,858

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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