



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
City of Moses Lake

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

Published April 6, 2020

Report No. 1025927





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

April 6, 2020

Council
City of Moses Lake
Moses Lake, Washington

Report on Financial Statements

Please find attached our report on the City of Moses Lake'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

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting.

Background

The City Council, the Mayor, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions.

City management is responsible for designing, implementing, and maintaining internal controls to ensure financial statements are prepared and fairly presented in accordance with generally accepted account principles (GAAP).

In our previous three audits, we reported findings related to weaknesses in controls over financial reporting that hindered the City's ability to produce accurate financial statements.

Description of Condition

We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness.

- City management did not have a formal process to comprehensively evaluate the City's complete financial statements for accuracy, consistency across financial statements and disclosures, and compliance with the provisions of Generally Accepted Accounting Principles (GAAP).
- City management did not sufficiently research Governmental Accounting Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, to ensure proper implementation.
- City staff did not reconcile the City's bank statements at year-end.

Cause of Condition

The City prepares its financial statements in accordance with GAAP. These financial statements are complex, and the reporting requirements change frequently. The City has experienced turnover in its accounting staff over the past several years. As a result, staff members have not been able to dedicate sufficient time to perform a comprehensive review of the accuracy of the completed financial statements before they submit the statements to our Office.

Effect of Condition

The material weakness in controls resulted in the following reporting errors:

- The City did not report its Ambulance Fund as a major fund despite the fund meeting the criteria for major fund reporting.
- The City understated Other Post-Employment Benefit (OPEB) liability by \$3,327,279 and related deferred outflow by \$161,564.
- The City understated the change in accounting principle related to the GASB 75 implementation by \$3,098,184. The City also incorrectly reported this change as a prior-period adjustment.
- The City understated cash and investments by \$46,823.
- The City understated General Fund charges for services by \$31,374. Because of this, the expenses for the Water Fund, Ambulance Fund, and Sanitation Fund were also misstated.
- Governmental Activities and Business-Type Activities columns did not correctly total on the Government Wide Statements.

We also identified other, less-significant errors that we communicated to City's management during the audit.

Recommendation

We recommend the City dedicate adequate time and resources for staff who understand GAAP reporting requirements to comprehensively review the completed financial statements for compliance with those requirements and to perform other functions at year-end that are necessary to ensure accurate financial reports.

City's Response

The City takes very seriously its responsibility to produce accurate, meaningful financial statements. The 2016 and 2017 audit had the same finding, and although we tried to correct most of the conditions at that time, we were not able to completely correct the condition.

In response to your finding we have tried to isolate and explain the issues identified. The weaknesses identified in the 2017 audit can primarily be attributed to turnover in staff, which did not allow us to finish the CAFR in time to do a thorough review. Unfortunately, this scenario was repeated during preparation of the 2018 audit, as an accountant left our employment in the spring of 2019. We were without that position until finally filling it with an Accounting Manager in the fall of 2019.

Another issue previously hampering our effort was the CAFR preparation software had not been fully implemented in prior years. In order to improve on the prior year finding, we hired a CPA firm familiar with the software to help us put the 2018 CAFR together and establish the links among the statements.

We prepared the analysis to determine major funds. It was originally done on budgetary comparison (i.e. including interfund and debt activity). When that was recalculated using the financial statement presentation, it showed the Ambulance Fund should have been a major fund.

The Accountant who left our employment had the main responsibility of preparing the pension and Other Post-Employment Benefits (OPEB) data for inclusion in the financial statements. Our understanding was that the information previously included in the footnotes needed to be recorded on the face of the financial statements. So we applied the methodology we had previously used to determine the liability, and recorded that liability. That produced a liability of about \$3.5 million which, in our opinion, is reasonable considering we are paying medical benefits on 15 people (dropping to 14 in late 2019), with annual expenses of about \$143,600 in 2018 and \$152,700 in 2019. We did not realize that we were required to use the State Actuary's calculation from their website, which created a liability that was almost twice what we expected. When that was brought to our attention we made the appropriate corrections.

Even though we completed bank reconciliations through 2018, we were still not able to totally find and correct discrepancies. However, we are much closer than we were in prior years, and have identified \$22,000 (about half) of the discrepancy noted by SAO.

We self-disclosed the understatement of the General Fund charges for services when we discovered that the adjusting journal entry was not made. We have a listing of year end entries, and since that was a new process in the prior year, it had not been added to the list. As this was considered immaterial, we did not make this correction.

Overall, we feel we had made progress in getting the data to flow accurately into the financial statements, and sought outside professional help to assist us in that endeavor. Unfortunately, staff shortages hampered some of our progress. We did make corrections to add the Ambulance Fund as a major fund, and updated the OPEB liability to the State Actuary's calculated number in the final statements. We also continue to look for opportunities to train our staff in financial statement preparation.

We appreciate the good working relationship we have with the State Auditor's Office, and are trying to make improvements to our financial statement process to discover and correct errors before we finalize information for SAO.

Auditor's Remarks

We appreciate the City's commitment to resolving the conditions noted, and we will evaluate the City's corrective actions during our next audit.

Applicable Laws and Regulations

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

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

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

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Moses Lake January 1, 2018 through December 31, 2018

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

Audit Period: January 1, 2017 through December 31, 2017	Report Ref. No.: 1023701	Finding Ref. No.: 2017-001
Finding Caption: The City’s internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting.		
Background: <i>Government Auditor Standards</i> requires auditor to communicate material weaknesses as a finding. We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness: <ul style="list-style-type: none"> • City management did not have a formal process to comprehensively evaluate the City’s complete financial statements for accuracy, consistency across financial statements and disclosures, and compliance with the provisions of the State Auditor’s Office <i>Budgeting, Accounting and Reporting System (BARS)</i> manual. • The City allocates administrative costs in proportion to expenses of its funds. The City has not demonstrated this method approximates the actual costs of services received. • City staff did not reconcile the City’s bank statements during the year. As a result, the City understated its taxes receivable by about \$1.3 million and overstated its cash and investments by about \$109,000. We also could not determine if about \$770,000 in administrative expense allocation to proprietary funds was a fair and equitable allocation of costs.		
Status of Corrective Action: <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The City does have a process to ensure the accuracy of the financial statements. We have lists of year-end closing journal entries that include the procedures to create the journal entries</i>		

(i.e. what reports to run, the timeframes to gather data, etc.) We have a staff member assigned to be lead on the CAFR preparation. The Accounting Manager had been lead for several years, but retired at the end of 2017, so this was re-assigned to an Accountant who was not as experienced in this task.

In regards to the cost allocation plan for City administrative expenses, we developed a model that spread these costs proportionately over the base operating expenses of each fund, discounting transfers and other single transactions that may not require administrative resources. It is our opinion that this spreads the administrative costs fairly and equitably. This model was used for the 2017 financial statements—it was just not adopted as policy. We documented the methodology and intend to formalize that in a cost allocation policy.

The Finance Director also noted that the GASB 33 tax revenue accrual was missing, but it was so late in the process that we didn't go back to correct it, since the presentation was consistent, and hadn't been applied since the pronouncement was effective in 2001. It was intended to be corrected in the 2018 financial statements. Unfortunately, the Gas Tax accrual was determined to be material to the Street fund, so we did make the modifications in the 2017 statements. Otherwise, the Finance Director was reviewing the statements almost at the same time as the auditors. We found many of the same issues as SAO, and communicated corrections to them as we went along. In 2018, we have scheduled to have a good draft available for review in advance of the time the records are transmitted to SAO.

We also addressed the lack of bank statement/cash reconciliation by hiring a retired bookkeeper on a temporary basis to go through the records and document the bank statement activity in the spring of 2018. There were some discrepancies identified, but it was difficult to pinpoint the exact amounts and times. We subsequently discovered that we had some transactions that created checks, but the batches didn't post all the way through to the General Ledger, which left the book balance higher than the bank balance. These are harder to identify, as we have posting journals that indicate a transaction was completed, but it didn't end up in the transaction detail. We are staying current on the bank reconciliations.

All of the issues noted in the 2017 finding have been addressed; however, the 2018 financials contained different errors, which is why we marked the finding as "partially corrected".

**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 Moses Lake
January 1, 2018 through December 31, 2018**

City Council
City of Moses Lake
Moses Lake, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Moses Lake, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2020. As discussed in Note 17 to the financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

March 26, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Moses Lake January 1, 2018 through December 31, 2018

City Council
City of Moses Lake
Moses Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Moses Lake, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit. We conducted our audit 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Moses Lake, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 17 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 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

March 26, 2020

FINANCIAL SECTION

City of Moses Lake January 1, 2018 through December 31, 2018

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Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

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Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2018

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Government-wide Statement of Activities –
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Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and
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Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
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Notes to the Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

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LEOFF 1, LEOFF 2 – 2018

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2018

Schedule of Changes in the Employers' Net OPEB Liability and Related Ratios –
LEOFF 1 – 2018

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the City of Moses Lake, we offer readers of the City of Moses Lake's financial statement this narrative overview and analysis of the financial activities of the City of Moses Lake for the fiscal year ended December 31, 2018. The information presented here should be read in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are rounded to the nearest thousand.

FINANCIAL HIGHLIGHTS

The assets of the City of Moses Lake exceeded its liabilities at the close of the most recent fiscal year by \$165,632 (net position). Of this amount, \$15,573 (unrestricted net positions) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$11,647.

As of the close of the current fiscal year, the City of Moses Lake's governmental funds reported combined ending fund balances of \$10,869, an increase of \$1,993 from the prior year.

At the end of the current fiscal year, unassigned fund balance available to spend at the City's discretion for the general fund was \$6,091.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Moses Lake's basic financial statements. The City of Moses Lake's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Moses Lake's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City of Moses Lake's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Moses Lake is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Moses Lake that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Moses Lake include general government, public safety, highways and streets, engineering (i.e. public works), economic development, and culture and recreation. The business-type activities of the City of Moses Lake include a water and sewer utility, sanitation (solid waste), storm water, ambulance and a non-commercial municipal airport.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Moses Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Moses Lake can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Moses Lake maintains ten governmental funds. The City's only major governmental fund as determined by GASB criteria is the General Fund. The General Fund is presented separately in the governmental funds balance sheet, and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the required supplementary information in this report.

The City of Moses Lake adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Moses Lake maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Moses Lake uses enterprise funds to account for its water and sewer utility, sanitation (solid waste), storm water, ambulance, and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Moses Lake's various functions. The City of Moses Lake also uses internal systems to account for its fleet of vehicles, risk management, unemployment programs, building services, and computer services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility, sanitation and ambulance which are considered to be major funds of the City of Moses Lake. Like the nonmajor governmental funds, data from the remaining proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements after the required supplementary information in this report. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is also provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Moses Lake's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information.

Required Supplementary Information. In addition to the basic financial statements and the accompanying notes this report also presents certain required supplementary information concerning infrastructure assets reported using the modified approach and pension plan funding.

The required supplementary information immediately follows the notes to the financial statements in the Basic Statements section of this report.

Combining Statements. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, and internal service funds are presented in a separate section immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Moses Lake, assets exceeded liabilities by \$165,632 at December 31, 2018.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 14,188	\$ 10,370	\$ 25,940	\$ 22,545	\$ 40,128	\$ 32,915
Capital assets	72,019	70,392	84,636	85,139	156,655	155,531
Total assets	<u>86,207</u>	<u>80,762</u>	<u>110,576</u>	<u>107,684</u>	<u>196,783</u>	<u>188,446</u>
Total deferred outflows of resources	987	937	247	292	1,234	1,229
Long-term liabilities (as restated for GASB 75)	13,432	12,125	7,618	9,357	21,050	21,482
Other liabilities	5,416	5,815	3,166	3,696	8,582	9,511
Total liabilities	<u>18,848</u>	<u>17,940</u>	<u>10,784</u>	<u>13,053</u>	<u>29,632</u>	<u>30,993</u>
Total deferred inflows of resources (as restated)	2,231	1,218	522	378	2,753	1,596
Net position:						
Net investment in capital assets	67,063	63,143	78,064	77,544	145,127	140,687
Restricted	3,620	2,339	1,312	1,284	4,932	3,623
Unrestricted (as restated for GASB 75)	(4,568)	(2,942)	20,141	15,716	15,573	12,774
Total net position	<u>\$ 66,115</u>	<u>\$ 62,540</u>	<u>\$ 99,517</u>	<u>\$ 94,544</u>	<u>\$ 165,632</u>	<u>\$ 157,084</u>

The largest portion of the City of Moses Lake's net position (88%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Moses Lake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Moses Lake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Moses Lake's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net positions (9%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Moses Lake is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate businesstype activities. There is a deficit in unrestricted net position in the governmental funds because the City has longterm commitments that are greater than currently available resources, primarily longterm citywide pension benefits and other postemployment benefit liabilities. There was a change in accounting principal in 2018, as GASB 75 was applied to the City's program to fund medical care for a certain group of retired public safety officers. Application of this pronouncement resulted in an increase in OPEB liability of \$6.589 million. Refer to the notes to the financial statements for a more indepth discussion of pension and other longterm liabilities. The City continues to invest in its infrastructure and other capital assets as the local economy improves.

Statement of Changes in Net Position

The changes in net position table indicates the increases or decreases in net position of the city resulting from its operations. The City's total net position increased by \$11,647 in 2018. The increase after transfers was split among an increase in governmental \$6,674 and an increase in business-type activities \$4,973.

The following is a summarized version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position in table form for the governmental activities autonomous from the business-type activities for 2018.

City of Moses Lake Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenue						
Charges for service	\$ 6,717	\$ 4,947	\$ 19,738	\$ 18,390	\$ 26,455	\$ 23,337
Operating grants and contributions	490	405	11	-	501	405
Capital grants and contributions	1,233	331	1,545	761	2,778	1,092
General Revenue						
Property taxes	6,910	6,811	-	-	6,910	6,811
Sales taxes	8,548	7,425	-	-	8,548	7,425
Business taxes	5,053	4,905	-	-	5,053	4,905
Other taxes	-	-	-	-	-	-
Other	1,674	380	104	130	1,778	510
Total revenues	30,625	25,204	21,398	19,281	52,023	44,485
Expenses:						
General government	2,502	2,358	-	-	2,502	2,358
Public safety	9,160	9,071	-	-	9,160	9,071
Public works	1,619	1,556	-	-	1,619	1,556
Transportation	3,934	3,152	-	-	3,934	3,152
Culture & recreation	5,744	5,607	-	-	5,744	5,607
Economic environment	1,129	1,148	-	-	1,129	1,148
Interest on long-term debt	289	350	-	-	289	350
Water/server utility	-	-	8,358	7,619	8,358	7,619
Sanitation	-	-	4,445	3,904	4,445	3,904
Ambulance	-	-	2,332	2,158	2,332	2,158
Airport	-	-	60	54	60	54
Storm water	-	-	804	745	804	745
Total expenses	24,377	23,242	15,999	14,480	40,376	37,722
Increase in net position before transfers	6,248	1,962	5,399	4,801	11,647	6,763
Transfers	426	426	(426)	(426)	-	-
Change in net position	6,674	2,388	4,973	4,375	11,647	6,763
Net position 01/01 (as restated)	59,441	63,666	94,544	90,167	153,985	153,833
Direct adj to net position - GASB 75 **	-	(6,589)	-	-	-	(6,589)
Prior period adjustment	-	(24)	-	-	-	(24)
Net position 12/31	\$ 66,115	\$ 59,441	\$ 99,517	\$ 94,544	\$ 165,632	\$ 153,985

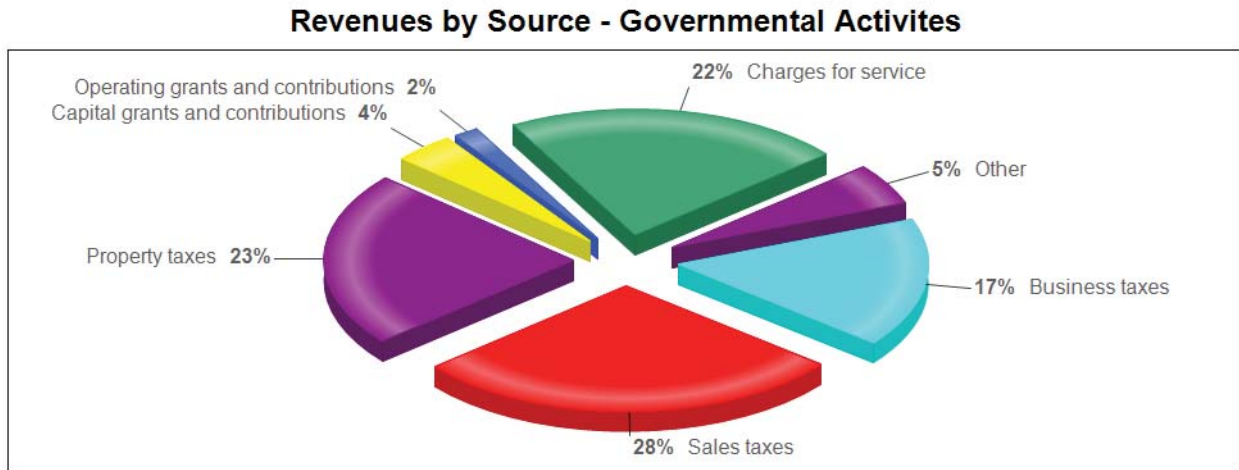
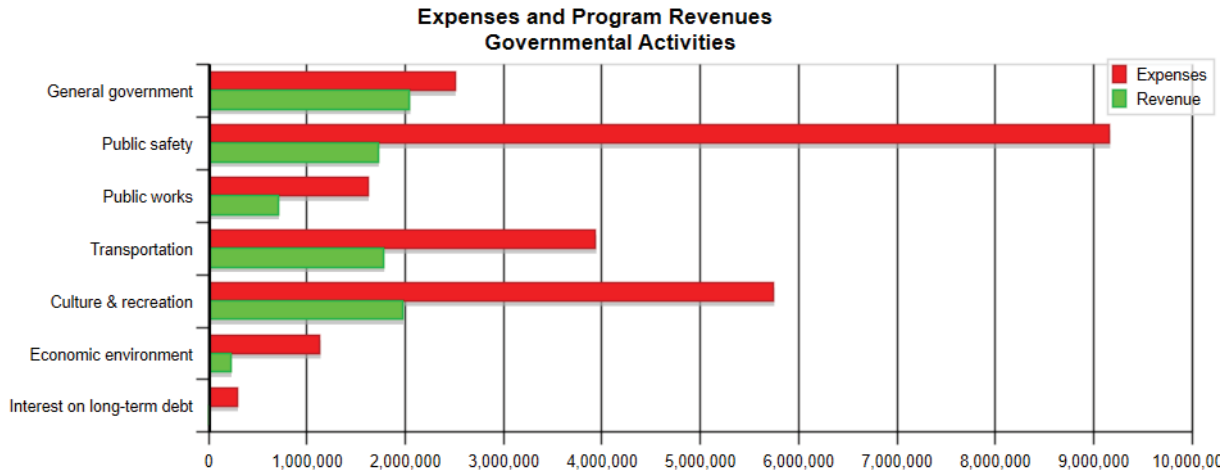
**The City had a direct adjustment to net position due to the misstatement of pension calculations in 2017 and implementation of GASB 75 in 2018.

Governmental activities. Governmental activities increased the City of Moses Lake's net position by \$6,674. As shown in the Statement of Activities, \$8,440 of the total cost was paid for by either those directly benefitting from the programs or by governments and organizations that subsidized certain programs through grants and contributions. Key elements of this increase are as follows:

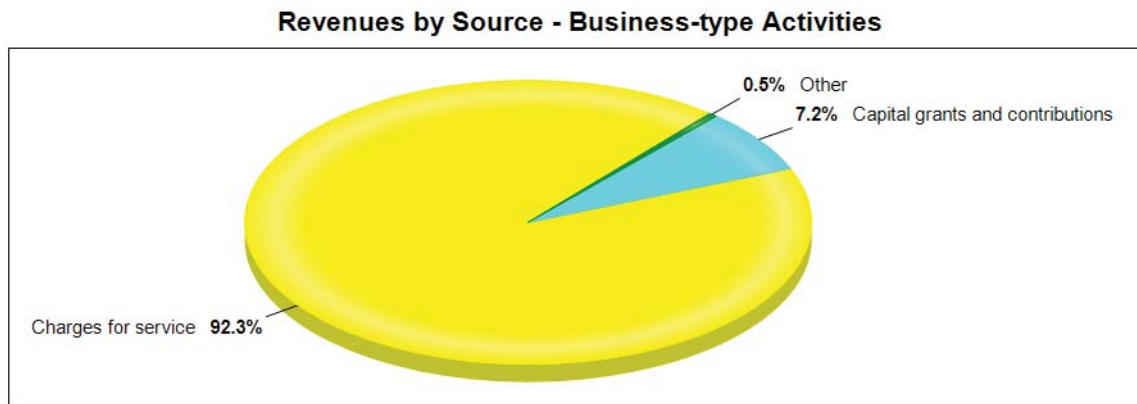
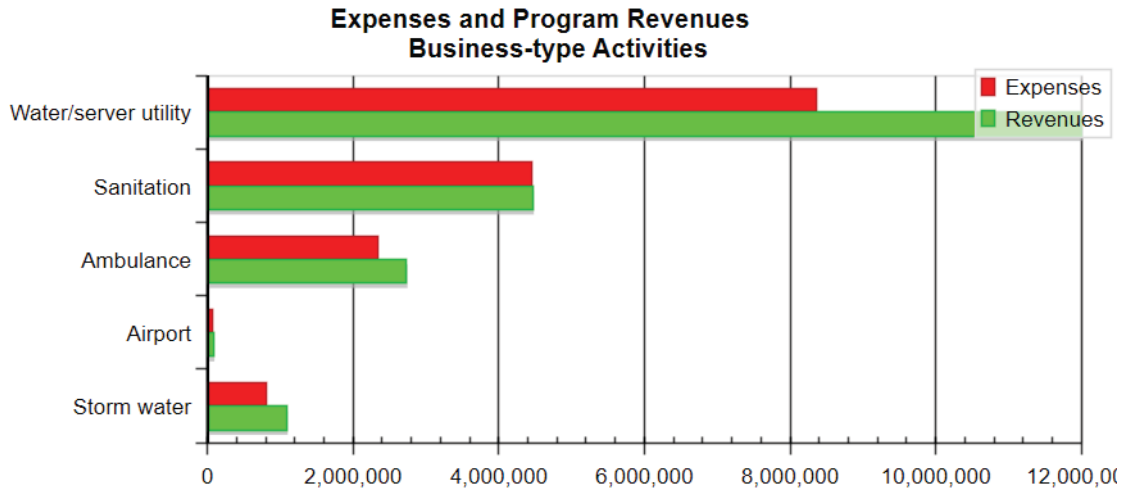
- The increase in charges for services of \$1,770 was due largely to rate adjustments made to offset the significant increase in the Washington State minimum wage, coupled with additional reimbursable activity by the Police Department (i.e. adding school resource officers paid by the school district and participation in regional task forces).
- The increase in sales taxes of \$1,123 was attributable primarily to the start of a voted sales tax of

0.2% for transportation improvements which started to be collected April 1, 2018.

Total expenses for governmental activities remained relatively flat as the City maintained its programs.



Business-type activities. Total net positions of business-type activities increased by \$4,973 for the year. Of the \$21,398 in business type revenue, 92% was provided by charges for services, with the remainder coming from capital grants and contributions as well as investment earnings. CPI related increases in rates were adequate to cover ongoing program costs, and add to the net position as investments were made in infrastructure.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Moses Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Moses Lake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Moses Lake's financing requirements.

As of the end of the current fiscal year, the City of Moses Lake's governmental funds, which includes debt service funds, capital projects funds, and special revenue funds had an ending fund balance of \$10,868, an increase of \$1,993 in comparison with the prior year. It is partly made up of unassigned fund balance \$6,091, which is available for spending at the government's discretion. The remainder of fund balance is separated into different categories. Nonspendable fund balance consists of inventories and other prepaid expenses \$184. \$2,544 is restricted for public safety, tourism, and parks capital programs along with debt service. \$1,439 is committed for public safety pensions, museum programs, and transportation improvements; and \$611 is assigned for street operations.

The General Fund is the chief operating fund of the City of Moses Lake. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,091 while the total fund balance was at \$6,563.

The fund balance of the City of Moses Lake's General Fund increased by \$1,437 during the current fiscal year. Key factors in the changes are as follows:

- The City sold some surplus properties, bringing in \$710.
- The voted sales tax described above went into a special revenue fund, and not General Fund. However, because of this new tax, the City was able to reduce its transfer to the Street Repair and Reconstruction Fund by about \$280.

Proprietary funds. The City of Moses Lake's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds are those funds that account for government operations where the intent is for the costs to be paid primarily by user charges. Enterprise funds are those that provide services predominantly to external users and the internal service funds provide service principally to other City operations. The funds consist of five enterprise funds, and five internal service funds.

Unrestricted fund balance of the Water and Sewer Utility at the end of the year amounted to \$14,507, which makes up 91% of the total net positions for all enterprise funds. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Moses Lake's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original compared to final budget

The final revenue budget for the General Fund increased by \$430 from the original budget while expenditures were \$525 higher than the original. Increases were made up of the carryforward of unspent program budgets from the prior year, corrections of budget oversights, and program enhancements.

Actual results compared to final budget

General fund revenues were over final amended budget by \$1,755 (8%) and expenditures less by \$273 (1%). The General Fund budget is built assuming positive variances in both revenue and expenditures. Revenue is conservatively estimated, while expenditure estimates utilize highest probable costs. Because of growth in virtually all categories, along with the unbudgeted sale of properties, the revenues had a large positive variance. Because the revenue was strong, the operations were encouraged to spend on deferred capital, maintenance and technology within the constraints of the total budget. The net effect

was an increase in General Fund balance of \$1,437.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, aquatic facilities, and streets, including construction in progress on buildings and systems. The total investment for its governmental and business-type activities as of December 31, 2018 amounts to \$156,654 (net of accumulated depreciation).

Governmental Activities: Capital assets from governmental activities increased \$1,628 from \$70,391 in 2017 to \$72,019 in 2018. The City's investment in infrastructure, facilities and rolling stock, exceeded current year depreciation for all assets in 2018.

City of Moses Lake's Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and land improvements	\$ 5,561	\$ 5,561	\$ 988	\$ 988	\$ 6,549	\$ 6,549
Buildings and other improvements	19,463	20,234	26,481	27,288	45,944	47,522
Machinery and equipment	5,134	5,085	4,444	3,296	9,578	8,381
Infrastructure	40,416	39,511	51,708	51,903	92,124	91,414
Intangible	-	-	285	285	285	285
Construction in Progress	1,445	-	729	1,378	2,174	1,378
Total assets	\$ 72,019	\$ 70,391	\$ 84,635	\$ 85,138	\$ 156,654	\$ 155,529

Additional information on the capital assets of the City of Moses Lake can be found in Note 5.

Infrastructure. The City of Moses Lake has elected to use the modified approach as defined by GASB statement 34 for reporting its streets, alleys, bike paths, parking lots, bridge, storm drains, catch basins, dry wells and piping. The City has made a commitment to preserve and maintain the street infrastructure at an acceptable condition rather than recording depreciation. The rating scales for paved streets, bridge and storm water system are further explained in the required supplementary information, which follows the notes to the basic financial statements.

The City's engineering department evaluates the condition that paved streets are kept based on a formula established by a street assessment program. The formula is calculated using 8 different criteria applied to all paved streets from one intersection to another. Among the criteria is depths and lengths of cracks, sags and humps, and patching. From the inputting of the information the system evaluates all criteria and produces a rating. The condition assessment is taken at least once every three years. The City has no set policy as to the level the streets are to be maintained. However, the City has a program where the streets have a crack seal process applied every six years to prevent the erosion of the street condition.

By definition the City has one bridge that it maintains. The portion that is under water, is inspected every five years by the state Department of Transportation and documented in an inspection report given to and maintained by the City. The bridge is given a sufficiency rating, which is a numerical rating based on a 100 point scale. The rating is based on its structural adequacy and safety, load capacity, essentiality for public use, and its serviceability and functional obsolescence. Currently the one bridge carries a sufficiency rating of between 65 and 70. The City inspects and evaluates the remainder of the bridge above the water line using the pavement management system that is used for rating paved streets. The bridge has no load

limits which substantiates its superior rating. Projected costs to maintain the bridge are included in the budgeted cost of the streets.

The City maintains an inventory of these infrastructure assets. With triennial assessments establishing the condition level of the assets, the City makes annual estimates of the cost to maintain its streets which are also reported in the City's annual Capital Improvement Program. For 2018 the City budgeted \$2,980 for major road and sidewalk maintenance projects. The actual amount expended was \$1,993 as a major project was delayed.

Normally there were no significant changes in the condition levels of the streets. With relatively mild weather patterns the condition level of the streets was maintained above the acceptable conditions for the City. To ensure continued maintenance, in 2017 the City established a Transportation Benefit District to generate revenue and to address future repair needs. In November, 2017, a ballot measure to convert the revenue from the Council approved car tab fee to a voter approved 0.2% sales tax was passed by the voters, and the new sales tax started to be collected on April 1, 2018. More than \$1,450 is expected to be generated by this new sales tax annually, to be added to the Real Estate Excise Tax and grants to support maintenance of the street infrastructure.

Long-term debt. At the end of the fiscal year, the City of Moses Lake had total bonded debt outstanding of \$11,120. Of this amount, \$5,245 comprises debt backed by the full faith and credit of the government and \$5,875 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Moses Lake's Outstanding Debt
General Obligation and Revenue Debt
(Actual Amounts)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation debt	\$ 4,731,666	\$ 5,791,666	\$ 513,334	\$ 568,334	\$ 5,245,000	\$ 6,360,000
Revenue debt	-	-	5,875,000	6,810,000	5,875,000	6,810,000
Total long-term debt	<u>\$ 4,731,666</u>	<u>\$ 5,791,666</u>	<u>\$ 6,388,334</u>	<u>\$ 7,378,334</u>	<u>\$11,120,000</u>	<u>\$13,170,000</u>

The City of Moses Lake's total bonded debt decreased by \$2,050 which represents principal payments. No new debt was issued in 2018. The earliest final maturity for existing debt is 2020, and the last maturities are in 2026. Currently, the city does not anticipate issuing any new debt in the foreseeable future, although City Council has recently authorized creating the detailed specifications for a new Parks and Recreation facility to replace an aging Larson Park recreation center, estimated to cost \$11.5 million. The final plan could be funded by available resources in the Parks Capital Fund and hotel/motel taxes, with any balance being bonded. The funds for construction wouldn't be needed until 2020 with the repayment starting in 2021, after a significant existing debt service payment is completed.

The City of Moses Lake maintains favorable rating from S&P Global Ratings Group. The Water & Sewer Revenue Bonds are rated "AA-" and the Limited Tax General Obligation Bonds are rated "A+".

Washington State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities and 2.5% for utilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of assessed valuation. The City's assessed valuation for 2018 was \$2,189,215,750 and the remaining debt capacity is as follows:

	(Actual amounts in thousands)
General Purpose-Non-voted (i.e. Councilmanic) net of Outstanding debt	\$ 27,778
General Purpose-Voted	<u>21,892</u>
Total General Purpose-Voted and Non-Voted	49,670
Open Space/Park Facilities	54,730
Utilities	<u>54,730</u>
Total	<u>\$ 159,130</u>

Additional information on the City's long-term debt can be found in Note 8 to the Financial Statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

Because of its location on the major interstate that runs between Seattle and Spokane, a vibrant port district that is home to one of the largest airports in the country, along with recreational opportunities that accompany a lakeside community, Moses Lake has seen steady growth.

Growth generally translates into greater revenues attributable in part to increased sales taxes, property taxes, permit fees, and the like. The City finds itself in a somewhat unique and fortunate situation. As the national economy has seen extended growth following the "Great Recession" the City is experiencing growth in property taxes from new construction, sales taxes and permitting fees.

In addition to the natural growth in the economy, the local taxpayers decided to invest in the community twice in the past two years. In November 2017, a 0.2% sales tax for a local transportation benefit district for major street repair and maintenance passed, and went into effect on April 1, 2018. In November 2019, Grant County voters approved a 0.3% sales tax for criminal justice purposes which will start being collected on April 1, 2020. The formula for distribution is 60% to the County, and the remaining 40% distributed to cities within the county on a per capita basis. The aforementioned factors were considered in the preparation of the City's 2019 and 2020 budget.

A change in state law is also helping to shore up our important sales tax stream. The Legislature approved a law that would apply sales tax collection to more internet retailers, to be effective in late 2018. The City is experiencing sales tax growth of over 5% through mid-2019.

In reviewing the building activity in the local economy currently in progress and anticipated for the future, it is anticipated that the local economy should continue to improve in 2019 and perhaps for several years in the future, but at a moderate rate, which supports the assumption that current service levels can be maintained.

Several industrial and retail concerns in and around the City have completed new projects or expansions in 2018. These expansions, additions, and new projects will result in added building activity, a short term influx of construction employment, and in the long term, add jobs to the City's employment base. The expansion and/or new location of industry and retail in and around the City will have a direct effect on the local economy and have an effect on building activity which will affect the City's property tax receipts. The added employment has resulted in additional population in and around the City which will affect retail sales and, therefore, the City's retail sales tax receipts.

Property tax increases have been limited by voter approved initiatives. However, gross property tax receipts have increased because of annexations and new construction within the City.

The property owner with the largest real estate tax assessment within the City appealed their 2012 assessment. The County is seeking a \$1.2 billion value and the property owner a \$450 million value or less. Washington State Board of Tax Appeals (BTA) assessed a valuation of \$904 million for the property owner. The property owner appealed the verdict to Superior Court. Superior Court remanded the case back to BTA for clarification. The BTA returned with a new valuation of \$774 million for the 2012 assessment. The decision is reflected in the city's property tax revenue for 2016. The same property owner has disputed their 2013, 2014 and 2015 assessment. All years have been heard by the Board of Equalization and were appealed to the BTA. The County feels strongly that the board will more favorably view the County's determination of assessed value than that of the property owner. (Even though we got the judgment, we have not received the additional taxes, but they are not counted in the General Fund balance, since they are recorded as a deferred inflow of resources.) This same company has ceased operations in mid-2019 citing tariff issues. The current property tax assessments have been lowered considerably in recent years, so this should not create a significant reduction.

While it is expected that future budgets may be limited by voter approved initiatives and legislation, which can reduce income to the City's General or Operating Fund, it is expected that some of the limitations experienced by the City will be tempered by continued economic development, primarily in the retail, industrial, and tourism sectors. All of the referenced factors were considered in preparing the City of Moses Lake's budget for the 2019 fiscal year.

The projected outlook for the City of Moses Lake and surrounding area remains positive as more building permits are issued and more industrial firms are moving into the area or expanding current facilities because of relatively inexpensive land and power costs.

Requests for Information

This financial report is designed to provide a general overview of the City of Moses Lake's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 401 S. Balsam, PO Box 1579, Moses Lake, WA 98837.

CITY OF MOSES LAKE
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled cash & investments	\$ 13,416,631	\$ 14,243,673	\$ 27,660,304
Receivables (net of allowances for uncollectibles)	3,972,289	2,453,303	6,425,592
Internal balances	(6,849,734)	6,849,734	-
Inventories and prepaid items	243,032	476,063	719,095
Restricted assets:			
Cash	-	1,311,875	1,311,875
Capital assets			
Land and land improvements	5,560,986	1,273,031	6,834,017
Construction in Progress	1,444,995	729,486	2,174,481
Net of accumulated depreciation			
Buildings and other improvements	19,463,477	26,480,650	45,944,127
Machinery and equipment	5,737,868	4,444,428	10,182,296
Infrastructure	39,811,723	51,708,370	91,520,093
Net Pension Asset	3,405,847	605,828	4,011,675
Total assets	<u>86,207,114</u>	<u>110,576,441</u>	<u>196,783,555</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	\$ 141,224	\$ 28,245	\$ 169,469
Deferred outflows related to pensions	846,190	218,772	1,064,962
Total deferred outflows of resources	<u>987,414</u>	<u>247,017</u>	<u>1,234,431</u>
LIABILITIES			
Accounts payable and other current liabilities	1,048,209	650,877	1,699,086
Accrued interest	48,032	104,155	152,187
Unearned revenues	-	11,398	11,398
Noncurrent liabilities:			
Due within one year	1,465,303	1,641,567	3,106,870
Due in more than one year	6,065,368	7,618,462	13,683,830
Net pension liability	2,854,509	756,815	3,611,324
Total OPEB Liability	7,366,225	-	7,366,225
Total liabilities	<u>18,847,646</u>	<u>10,783,274</u>	<u>29,630,920</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,231,287	522,269	2,753,556
Total deferred inflows of resources	<u>2,231,287</u>	<u>522,269</u>	<u>2,753,556</u>
NET POSITION			
Invested in Capital Assets	67,063,404	78,064,287	145,127,691
Restricted For:			
Debt Service	184,705	1,312,269	1,496,974
Pension benefits	343,215	-	343,215
Other purpose	3,092,333	-	3,092,333
Unrestricted Net Position	(4,568,062)	20,141,359	15,573,297
Total net position	<u>\$ 66,115,595</u>	<u>\$ 99,517,915</u>	<u>\$ 165,633,510</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Statement of Activities
For the Year Ended December 31, 2018

Function/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 2,502,138	\$ 2,030,384	\$ 12,000	\$ -	\$ (459,754)	\$ -	\$ -	\$ (459,754)
Public safety	9,159,773	1,605,448	115,525	-	(7,438,800)	-	-	(7,438,800)
Public works	1,618,887	705,486	-	-	(913,401)	-	-	(913,401)
Transportation	3,933,763	632,892	242,496	901,855	(2,156,520)	-	-	(2,156,520)
Culture and recreation	5,743,730	1,520,010	120,010	331,028	(3,772,682)	-	-	(3,772,682)
Economic Environment	1,129,366	222,551	-	-	(906,815)	-	-	(906,815)
Interest on long-term debt	288,584	-	-	-	(288,584)	-	-	(288,584)
Total governmental activities	24,376,241	6,716,771	490,031	1,232,883	(15,936,556)	-	-	(15,936,556)
Business-type activities:								
Water/Sewer utility	8,357,844	11,608,379	8,110	1,295,109	-	4,553,754	-	4,553,754
Sanitation	4,445,067	4,467,541	2,547	-	-	25,021	-	25,021
Ambulance	2,331,665	2,735,028	-	-	-	403,363	-	403,363
Airport	60,483	27,071	-	57,771	-	24,359	-	24,359
Storm Water	804,390	899,525	-	191,753	-	286,888	-	286,888
Total business-type activities	15,999,449	19,737,544	10,657	1,544,633	-	5,293,385	-	5,293,385
Total primary government	\$ 40,375,690	\$ 26,454,315	\$ 500,688	\$ 2,777,516	\$ (15,936,556)	\$ 5,293,385	\$ -	\$ (10,643,171)
General Revenues:								
Property taxes					6,909,510	-	-	6,909,510
Retail sales and use taxes					8,547,671	-	-	8,547,671
Business taxes					5,053,402	-	-	5,053,402
Investment earnings					477,889	106,227	-	584,116
Insurance recoveries					13,462	-	-	13,462
Gain (Loss) on Asset Disposal					1,180,618	-	-	1,180,618
Miscellaneous					1,800	-	-	1,800
Transfers, internal activities					425,660	(425,660)	-	-
Total general revenues and transfers					22,610,012	(319,433)	-	22,290,579
Changes in net position					6,673,456	4,973,952	-	11,647,408
Net position - beginning					66,055,726	94,543,963	-	160,599,689
Prior Period Adjustments					(24,428)	-	-	(24,428)
Changes in Accounting Principles					(6,589,159)	-	-	(6,589,159)
Net position - ending					\$ 66,115,595	\$ 99,517,915	\$ -	\$ 165,633,510

The notes to the financial statements are an integral part of this statement

CITY OF MOSES LAKE
Balance Sheet
Governmental Funds
December 31, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Pooled cash & investments	\$ 4,980,632	\$ 4,074,745	\$ 9,055,377
Receivables (net of allowance for uncollectibles):			
Taxes	2,916,739	348,210	3,264,949
Customer accounts	124,284	-	124,284
Unbilled services	56,140	-	56,140
Other receivables	295,388	18,255	313,643
Notes/contracts receivable	-	19,070	19,070
Due from other governments	84,155	75,395	159,550
Prepaid Expenses	67,862	65,618	133,480
Total assets	<u>8,525,200</u>	<u>4,601,293</u>	<u>13,126,493</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	189,242	258,651	447,893
Salaries and benefits payable	242,658	10,153	252,811
Other short-term liabilities	149	-	149
Total liabilities	<u>432,049</u>	<u>268,804</u>	<u>700,853</u>
Deferred inflows of resources:			
Deferred property tax	1,355,629	-	1,355,629
Deferred traffic citations	79,492	-	79,492
Deferred unavailable receivables	95,183	26,738	121,921
Total deferred inflows of resources	<u>1,530,304</u>	<u>26,738</u>	<u>1,557,042</u>
Fund Balances:			
Nonspendable:			
Inventories and noncurrent receivables	114,131	69,395	183,526
Restricted for:			
Public safety programs	-	243,434	243,434
Tourism	-	952,128	952,128
Debt service	-	184,705	184,705
Culture and recreation	-	1,163,813	1,163,813
Committed for:			
Committed	357,908	-	357,908
Culture and recreation	-	21,339	21,339
Transportation	-	1,059,510	1,059,510
Assigned to transportation	-	611,427	611,427
Unassigned	6,090,808	-	6,090,808
Total fund balances	<u>6,562,847</u>	<u>4,305,751</u>	<u>10,868,598</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,525,200</u>	<u>\$ 4,601,293</u>	<u>\$ 13,126,493</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Reconciliation of the Governmental Funds Balance Sheet to
The Government-wide Statement of Net Position
December 31, 2018

Total Governmental Fund Balances		\$ 10,868,598
Amounts reported for governmental activities in the government-wide statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (exclusive of internal service funds' capital assets)		55,141,078
Other long-term assets are not available to be collected in current period revenues and therefore are deferred in the funds.		1,557,042
Internal service funds are used by management to change the costs of certain activities, such as insurance, information services, fleet management, and building maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities on the government-wide statement of net position.		
Internal Service funds' net position	14,657,814	
Internal payable-charges under cost to business-type activities- prior years	(2,447,164)	
Internal receivable-charges over cost to business-type activities - current years	<u>(1,570,910)</u>	
Net adjustment to arrive at net position - governmental activities		10,639,740
Liabilities, including bonds, loans, and compensated absences, not due and payable in the current period and therefore are not reported in the governmental fund balance sheets, but are reported on the government-wide statement of net position (exclusive of internal service funds' debt).		
Bonds payable	(2,566,667)	
Issuance discounts, premiums and deferred amount on refunding	(27,013)	
Accrued interest payable	(42,511)	
Compensated absences	(1,708,442)	
Pension obligations (net)	(380,006)	
Other postemployment benefits	<u>(7,366,225)</u>	
Net adjustment to arrive at net position - governmental activities		(12,090,864)
Net position of governmental activities		<u>\$ 66,115,594</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 17,372,377	\$ 2,842,499	\$ 20,214,876
Licenses and Permits	751,922	53,541	805,463
Intergovernmental revenues	833,076	1,129,754	1,962,830
Charges for services	3,283,878	213,728	3,497,606
Fines and forfeits	807,553	-	807,553
Interest earnings	355,065	64,697	419,762
Rents and royalties	156,500	-	156,500
Contributions/donations	12,000	293,467	305,467
Assessments	-	49,407	49,407
Miscellaneous	18,382	63,907	82,289
Total revenues	<u>23,590,753</u>	<u>4,711,000</u>	<u>28,301,753</u>
EXPENDITURES			
Current:			
General Government	2,683,496	-	2,683,496
Public safety	10,306,099	119,913	10,426,012
Public works	1,817,778	-	1,817,778
Transportation	-	4,059,450	4,059,450
Economic environment	1,205,921	-	1,205,921
Culture and recreation	5,376,619	295,143	5,671,762
Capital outlay	56,147	1,121,984	1,178,131
Debt service:			
Principal	-	274,999	274,999
Interest and debt issue costs	25,110	102,083	127,193
Total expenditures	<u>21,471,170</u>	<u>5,973,572</u>	<u>27,444,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,119,583</u>	<u>(1,262,572)</u>	<u>857,011</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	500,000	3,482,300	3,982,300
Transfers (out)	(1,892,540)	(1,664,100)	(3,556,640)
Proceeds from sale of capital assets	709,874	-	709,874
Total other financing sources (uses)	<u>(682,666)</u>	<u>1,818,200</u>	<u>1,135,534</u>
Net change in fund balances	1,436,917	555,628	1,992,545
Fund balances-beginning	5,125,930	3,750,123	8,876,053
Fund balances-ending	<u>\$ 6,562,847</u>	<u>\$ 4,305,751</u>	<u>\$ 10,868,298</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Government-wide Statement of Activities
For the Year Ended December 31, 2018

Net changes in fund balances - total governmental funds: \$ 1,992,545

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period

Capital outlay	1,150,105	
Depreciation expense	<u>(723,884)</u>	
Net increase (decrease) in net position - governmental activities		426,221

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statement. 55,844

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net position.

Contributed assets	869,884	
Gain(loss) on sale/disposals of assets	<u>(25,095)</u>	
Net increase (decrease) in net position - governmental activities		844,789

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt principal payments	<u>274,999</u>	
Net increase in net position - governmental activities		274,999

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension	887,258	
Other post employment benefits	288,678	
Accrued debt interest	1,614	
Compensated absences	(90,820)	
Amortization of deferred bond costs	<u>3,377</u>	
Net decrease in net position - governmental activities		1,090,107

Accrued interest revenue in the statement of net activities does not provide current financial resources and is not reported as revenue in governmental funds. -

Internal service funds are used by management to charge the costs of equipment, insurance, data processing, and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Internal service funds change in net position	3,559,860	
Loss(gain) from charges to business-type activities	<u>(1,570,910)</u>	
Net increase in net position - governmental activities		<u>1,988,950</u>

Change in net position in governmental activities \$ 6,673,455

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 16,370,000	\$ 16,570,000	\$ 17,372,377	\$ 802,377
Licenses and Permits	611,000	611,000	751,922	140,922
Intergovernmental revenues	462,000	462,000	833,076	371,076
Charges for services	3,172,370	3,252,370	3,283,878	31,508
Fines and forfeits	466,000	616,000	807,553	191,553
Interest earnings	180,000	180,000	355,065	175,065
Rents and royalties	143,600	143,600	156,500	12,900
Contributions/donations	-	-	12,000	12,000
Miscellaneous	500	500	18,382	17,882
Total revenues	<u>21,405,470</u>	<u>21,835,470</u>	<u>23,590,753</u>	<u>1,755,283</u>
EXPENDITURES				
Current:				
General Government	2,761,088	2,784,488	2,683,496	100,992
Public safety	9,857,666	10,309,366	10,306,099	3,267
Public works	1,828,798	1,828,798	1,817,778	11,020
Economic environment	1,335,635	1,335,635	1,205,921	129,714
Culture and recreation	5,350,972	5,400,472	5,376,619	23,853
Capital outlay	60,000	60,000	56,147	3,853
Debt service:				
Interest and debt issue costs	25,200	25,200	25,110	90
Total expenditures	<u>21,219,359</u>	<u>21,743,959</u>	<u>21,471,170</u>	<u>272,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>186,111</u>	<u>91,511</u>	<u>2,119,583</u>	<u>2,028,072</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Transfers (out)	(1,896,240)	(1,896,240)	(1,892,540)	3,700
Proceeds from sale of capital assets	-	-	709,874	709,874
Total other financing sources (uses)	<u>(1,396,240)</u>	<u>(1,396,240)</u>	<u>(682,666)</u>	<u>713,574</u>
Net change in fund balances	<u>(1,210,129)</u>	<u>(1,304,729)</u>	<u>1,436,917</u>	<u>2,741,646</u>
Fund balances-beginning	322,900	317,400	5,125,930	4,808,530
Fund balances-ending	<u>\$ (887,229)</u>	<u>\$ (987,329)</u>	<u>\$ 6,562,847</u>	<u>\$ 7,550,176</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MOSES LAKE
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2018**

	Business-type Activities-Enterprise Funds					Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Enterprise Funds	Totals	
ASSETS						
Current assets:						
Pooled cash & investments	\$ 13,170,782	\$ 99,036	\$ 460,016	\$ 513,839	\$ 14,243,673	\$ 4,361,254
Receivables (net of allowance for uncollectibles)	1,262,092	623,895	432,797	134,518	2,453,302	4,652
Due from other governments	-	-	-	-	-	30,000
Interfund loans receivable	3,281,662	-	-	-	3,281,662	-
Inventory	352,443	51,040	65,583	6,997	476,063	109,552
Total current assets	18,066,979	773,971	958,396	655,354	20,454,700	4,505,458
Noncurrent assets						
Restricted assets:						
Revenue bond reserves/debt service:						
Pooled cash & investments	1,311,875	-	-	-	1,311,875	-
Total restricted assets	1,311,875	-	-	-	1,311,875	-
Capital assets:						
Land and land rights	836,006	-	-	151,898	987,904	608,951
Construction in Progress	729,486	-	-	-	729,486	571,720
Net of accumulated depreciation:						
Buildings	26,140,486	-	-	340,164	26,480,650	11,085,198
Infrastructure	44,964,093	-	-	6,744,277	51,708,370	-
Machinery and equipment	4,267,469	-	87,223	89,736	4,444,428	4,612,101
Intangible assets	285,127	-	-	-	285,127	-
Total capital assets	77,222,667	-	87,223	7,326,075	84,635,965	16,877,970
Net pension asset	-	-	605,828	-	605,828	-
Total non current assets	78,534,542	-	693,051	7,326,075	86,553,668	16,877,970
Total assets	96,601,521	773,971	1,651,447	7,981,429	107,008,368	21,383,428
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding	28,245	-	-	-	28,245	-
Deferred Pension	113,657	-	90,533	14,581	218,771	47,045
Total deferred outflows of resources	141,902	-	90,533	14,581	247,016	47,045

The notes to the financial statements are an integral part of this statement

**CITY OF MOSES LAKE
Statement of Net Position
Proprietary Funds
December 31, 2018**

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Non-Major Enterprise Funds	
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 163,896	\$ 295,046	\$ 5,638	\$ 3,314	\$ 311,403
Salaries and benefits payable	45,961	-	44,412	7,086	97,459
Interfund loans payable	-	300,000	150,000	-	450,000
Unearned revenue	-	-	-	11,398	2,831,662
Interest payable	-	-	-	-	5,520
Capital leases payable	-	-	-	-	361,824
G.O. bonds payable	57,489	-	-	-	805,000
Compensated Absences	25,244	-	18,352	3,790	10,978
Accrued interest	104,155	-	-	-	104,155
Intergovernmental loans payable	561,692	-	-	-	561,692
Revenue bonds payable	975,000	-	-	-	975,000
Other short-term liabilities	70	85,452	-	-	85,522
Total current liabilities	1,933,507	680,498	218,402	25,588	2,857,995
Noncurrent liabilities:					
Revenue bonds payable (net discount/premium)	5,049,707	-	-	-	5,049,707
G.O. bonds payable (net discount/premium)	489,481	-	-	-	489,481
Intergovernmental loans payable	1,652,796	-	-	-	1,652,796
Compensated absences	227,198	-	165,171	34,108	426,477
Net pension liability	651,081	-	-	105,734	756,815
Lease payable	-	-	-	-	394,922
Total noncurrent liabilities	8,070,263	-	165,171	139,842	8,375,276
Total liabilities	10,003,770	680,498	383,573	165,430	11,233,271
DEFERRED INFLOWS OF RESOURCES					
Pension	268,951	-	205,992	47,326	522,269
Total deferred inflows of resources	268,951	-	205,992	47,326	522,269
NET POSITION					
Net investment in capital assets	70,650,990	-	87,223	7,326,075	11,068,770
Restricted for debt service	1,312,269	-	-	-	1,312,269
Restricted for pension benefits	-	-	490,369	-	490,369
Unrestricted	14,507,443	93,473	574,823	457,179	15,632,918
Total net position	\$ 86,470,702	\$ 93,473	\$ 1,152,415	\$ 7,783,254	\$ 95,499,844

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Net position of business-type activities

\$ 4,018,071
\$ 99,517,915

The notes to the financial statements are an integral part of this statement

CITY OF MOSES LAKE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Non-Major Enterprise Funds	
OPERATING REVENUES					
Charges for services	\$ 10,784,392	\$ 4,466,240	\$ 2,423,522	\$ 897,590	\$ 18,571,744
Miscellaneous	636,801	1,301	15	56,078	694,195
Licenses and Permits	22,300	-	-	-	22,300
Total operating revenues	<u>11,443,493</u>	<u>4,467,541</u>	<u>2,423,537</u>	<u>953,668</u>	<u>19,288,239</u>
OPERATING EXPENSES					
Salaries and benefits	2,178,311	43,872	1,666,610	353,884	4,242,677
Supplies and contractual services	3,877,984	4,404,641	733,004	518,063	9,533,692
Utilities	581,132	-	-	28,483	609,615
Repairs and maintenance	352,063	-	-	53,863	405,926
Insurance claims and expenses	-	-	-	-	-
Depreciation and amortization	2,372,363	-	27,560	85,425	2,485,348
Total operating expenses	<u>9,361,853</u>	<u>4,448,513</u>	<u>2,427,174</u>	<u>1,039,718</u>	<u>17,277,258</u>
Operating income (loss)	2,081,640	19,028	(3,637)	(86,050)	2,010,981
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	8,110	2,547	311,595	115,542	437,794
Interest and other earnings	106,223	-	-	-	106,223
Insurance recoveries	-	-	-	-	-
Intergovernmental payments	(61,961)	-	-	-	(61,961)
Interest expense	(289,457)	(3,750)	(2,587)	-	(295,794)
Miscellaneous revenues	164,750	-	-	-	164,750
Gain (Loss) on disposal of Assets	140	-	-	-	140
Total nonoperating revenues (expenses)	<u>(72,195)</u>	<u>(1,203)</u>	<u>309,008</u>	<u>115,542</u>	<u>351,152</u>
Income (loss) before contributions and transfers	2,009,445	17,825	305,371	29,492	2,362,133
Capital contributions	1,295,109	-	-	191,753	1,486,862
Transfers in	-	-	74,340	-	74,340
Transfers (out)	(500,000)	-	-	-	(500,000)
Changes in net position	2,804,554	17,825	379,711	221,245	3,423,335
Net position - beginning	83,666,148	75,647	772,704	7,950,390	11,097,954
Net position - ending	<u>\$ 86,470,702</u>	<u>\$ 93,472</u>	<u>\$ 1,152,415</u>	<u>\$ 8,171,635</u>	<u>\$ 95,888,224</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Changes in net position of business-type activities

1,570,910
4,994,245

The notes to the financial statements are an integral part of this statement

City of Moses Lake, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities-Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Non-Major Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 10,883,696	\$ 4,469,044	\$ 2,392,248	\$ 933,478	\$ 18,678,466	\$ 7,834,447
Payment to Suppliers	(4,729,585)	(4,423,903)	(785,407)	(568,498)	(10,507,393)	(2,039,948)
Payments to employees	(2,767,417)	(46,777)	(1,689,645)	(381,853)	(4,885,692)	(1,382,071)
Miscellaneous revenues	804,369	1,301	14	1,935	807,619	5,054
Net cash provided by (used for) operating activities	4,191,063	(335)	(82,790)	(14,938)	4,093,000	4,417,482
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Payments (to) other funds	-	-	(108,666)	-	(108,666)	-
Advances from other funds	1,590,782	-	-	-	1,590,782	-
Transfers from other funds	-	-	74,340	-	74,340	-
Transfers (to) other funds	(500,000)	(75,000)	-	-	(575,000)	-
Insurance recoveries	-	-	-	-	-	13,462
Other intergovernmental revenues	8,110	2,547	311,595	57,771	380,023	-
Other intergovernmental payments	(61,961)	-	-	-	(61,961)	-
Net cash provided by (used for) noncapital financing activities	1,036,931	(72,453)	277,269	57,771	1,299,518	13,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	-	-	-	-	-	30,321
Principal paid on debt	(1,555,249)	-	-	-	(1,555,249)	(2,213,652)
Interest paid on debt	(293,597)	(3,750)	(2,587)	-	(299,934)	(168,200)
Capital contributions	484,738	-	-	-	484,738	-
Purchases of capital assets	(939,193)	-	(24,830)	(45,987)	(1,010,010)	(1,422,011)
Proceeds from sale of capital assets	-	-	-	-	-	495,839
Net cash provided by (used for) capital related financing activities	(2,303,301)	(3,750)	(27,417)	(45,987)	(2,380,455)	(3,277,703)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	-	-	-	-	-	58,127
Net cash provided by (used in) investing activities	-	-	-	-	-	58,127
Net increase (decrease) in cash and cash equivalents	2,924,693	(76,538)	167,062	(3,154)	3,012,063	1,211,368
Cash and cash equivalents, January 1	11,557,964	175,574	292,953	516,994	12,543,487	3,149,886
Cash and cash equivalents - December 31	14,482,657	99,036	460,015	513,840	15,555,550	4,361,254

The notes to the financial statements are an integral part of this statement

City of Moses Lake, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities- Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Non-Major Enterprise Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating income (loss)	\$ 2,081,636	\$ 19,027	\$ (3,637)	\$ (48,571)	\$ 2,048,455	\$ 3,123,759
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Depreciation	2,372,363	-	27,560	51,787	2,451,710	1,065,861
Loss on refunding	28,245	-	-	-	28,245	-
Allowance for uncollectible accounts	-	-	(67,119)	-	(67,119)	-
Decrease (increase) in accounts receivable	(42,874)	2,804	35,845	(2,581)	(6,806)	-
Decrease (increase) in inventory	794	13,188	(41,463)	-	(27,481)	-
Decrease (increase) in prepaid expenses	-	-	-	-	-	-
Decrease (increase) in pension liability	(470,189)	-	(37,995)	(21,462)	(529,646)	(2,414)
(Decrease) increase in accounts payable	80,800	(32,449)	(10,940)	1,028	38,439	(78,790)
(Decrease) increase in salaries payable	700	(942)	10,192	777	10,727	255,493
(Decrease) increase in advances	-	-	-	11,398	11,398	15,656
(Decrease) increase in compensated absences	(119,617)	(1,963)	4,768	(7,314)	(124,126)	32,863
(Decrease) increase in miscellaneous revenues	259,205	-	-	-	259,205	5,054
Total adjustments	2,109,427	(19,362)	(79,152)	33,633	2,044,546	1,293,723
Net cash provided by (used for) operating activities	4,191,063	(335)	(82,789)	(14,938)	4,093,001	4,417,482
Noncash investing, capital, and financing activities:						
Contributions of capital assets	\$ 484,738	\$ -	\$ -	\$ -	\$ 484,738	\$ -

The notes to the financial statements are an integral part of this statement

CITY OF MOSES LAKE
Statement of Net Position
Fiduciary Funds
December 31, 2018

	<u>Agency Funds</u>
ASSETS	
Pooled cash & investments	\$ 948,772
Receivables (net of allowance for uncollectibles)	<u>1,176</u>
Total assets	<u><u>949,948</u></u>
 LIABILITIES	
Custodial accounts payable	<u>949,948</u>
Total liabilities	<u><u>\$ 949,948</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 1- Summary of Significant Accounting Policies

The financial statements of the City of Moses Lake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Moses Lake was incorporated on September 19, 1938 and operates under the laws of the State of Washington applicable to a non-charter code city with a Council/Manager form of government. The City of Moses Lake provides a full range of municipal services, which include: police, fire, engineering, parks, street, economic development, and administrative services. Included in the City's Enterprise Fund financial reports are: water and wastewater, Sanitation (or Solid Waste), Ambulance, Airport, and Stormwater. The City has analyzed the rules for component units, and has determined that the primary government consists solely of the legal entity of the City.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment if they are non-tax supported. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City of Moses Lake reports one major governmental fund:

The **General Fund** is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The City of Moses Lake reports the following major proprietary funds:

The **Water/Sewer Fund** accounts for the activities of the City's water and sewer utility. Revenues are received from water and sewer services provided to the general public. Expenses are comprised of maintenance and extensions of drainage, water and sewer service facilities, operating a water supply system, maintaining sewer treatment plants and operating a water drainage system. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The **Sanitation Fund** accounts for the activities of providing contracted garbage services to its citizens. The fund is self-supporting through user charges and recycling.

The **Ambulance Fund** accounts for the activities of emergency services and transportation of patients. Revenues are generated by a utility fee for City residences and user charges.

Additionally, the City of Moses Lake reports the following fund types:

Special Revenue Funds account for revenue from specific taxes or other earmarked revenue sources that by law are designed to finance particular functions or activities of the City.

Capital Projects Funds account for financial resources used for the construction and acquisition of major capital facilities other than those financed by special assessments or proprietary funds.

Debt Service Funds finance and account for the payment of interest and principal on all tax-supported debt, serial and term, including those payable from special assessments.

Non-major Proprietary Funds account for Airport funds supported by rental charges and Storm Water funds supported through user charges.

Internal Service Funds account for information service, equipment rental, building maintenance, self-insurance, and unemployment compensation provided to other departments or agencies of the City on a cost reimbursement basis.

Agency Funds are custodial in nature, representing assets held by the City in an agency capacity for the State of Washington, Grant County and others. These funds report only assets and liabilities and have no measurement focus, as the purpose of this type of fund is to simply receive and disburse funds belonging to another organization.

Generally, the effect of the Inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule is administrative overhead charges where the amounts are reasonably equivalent in value to the inter-fund services provided. Inter-fund charges for governmental services, including utilities and certain internal services, have not been eliminated. Elimination of these

charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

C. Measurement Focus, Basis of Accounting

The government-wide financial statements are reported using the economic resource's measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resource's measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues for enterprise funds are customer charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

Scope of Budget

Budgets serve as control mechanisms in the operations of governmental units. Legal budgetary (expenditure) control for the City is at the fund level; i.e., expenditures may not exceed budgeted appropriations at the fund level. However, budget and actual information is kept by department, account element, and object for management review of operations.

Annual appropriated budgets are adopted for the general and certain special revenue funds on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. The financial statements include budgetary comparisons for the General Fund and all major Special Revenue funds. Budgets for special revenue funds are required to be prepared, but not required to be included in this report. Budgets for proprietary and fiduciary funds, although not legally required, are prepared for operational oversight but are not presented in the financial statements. The Finance Department prepares budgetary comparisons for all funds not presented in this report, which is available at www.cityofml.com/finance.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as a reservation of fund balances and does not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Amending the Budget

The City Manager is authorized to transfer budgeted amounts 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 Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearing(s).

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

E. Assets, Liabilities, Fund Balance, Net Position

Pooled Cash and Investments

It is the City's policy to invest all temporary cash surpluses. This amount is classified on the balance sheet as pooled cash and investments in various funds. The interest on these investments is prorated to the various funds that are statutorily required to receive interest and the balance of the interest is credited to the General Fund.

For purposes of the statement of cash flows, the proprietary fund's equity in pooled investments is considered cash since all of the city's investments are internally pooled and participating funds use the pool as if it were a demand deposit account.

Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Property Taxes Note No. 4). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefitted.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Amounts Due to and From Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A separate schedule of Interfund loans receivable and payable is furnished in Note No. 13, Interfund Balances and Transfers.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditures at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the First in First Out method which approximates the market value.

Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. The current portion of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in Notes No. 8 & 10, Long-Term Debt.

The restricted assets of the enterprise funds are composed of the following:

Cash Investments - Debt Service	\$ 1,312,269
Total Restricted Assets	<u>\$ 1,312,269</u>

Capital Assets - See Note No. 5, Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful life:

Assets	Years
Buildings/Improvement's	5 - 50
Other Improvements	5 - 25
Vehicles	5 - 15
Machinery & Equipment	5 - 20
Utility Infrastructure	20 - 50
Streets, Paths, Trails, Stormwater Infrastructure	N/A
Traffic Signals	40
Runway's & Taxiways	12 - 20

Infrastructure capital assets, valued at \$50,000 or greater, are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in the City's infrastructure are the streets and the bridge network. The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for storm water structures, the bridge, paved streets, bike paths, and alleys. Depreciation expenses are not reported for such assets nor are amounts capitalized in connection with improvements that lengthen the lives of the assets unless the improvements also increase the service potential.

Deferred Outflows and Inflows of Resources

In addition to assets, Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Deferred charge on debt refunding result from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension plans are discussed in detail in Note 6 – Pension Plans.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources, which represents an acquisition of net position by the government, which is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item on the Statement of Net Position that qualifies for reporting in this category. Deferred inflows related to pension plans are discussed in detail in Note 6 – Pension Plans. The governmental funds report unavailable revenues from two sources, taxes receivable and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation pay, which may be accumulated up to two years of earned annual leave, is payable upon separation of employment for any reason. Sick leave may be accumulated up to 480 hours for a payoff of union exempt employees, and is payable upon voluntary termination with a minimum of 2 weeks notice or a reduction in work force in accordance with the following schedule:

<u>Years of Service</u>	<u>Percent Payable Sick Leave</u>
0-4	10
5-9	25
10-19	50
20-29	75
30+	100

For members of the General Union bargaining unit who were City employees and members of the Public Employees Retirement System as of January 1, 1983 and who retire, 50% of accumulated sick leave (to a maximum of 480 hours) will be paid as severance pay.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Long-term Debt (See Note 8 Long-term Debt for more information.)

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. See Note 8 *Long-term Debt* for more information.

Fund Balance Classification

Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints, which control how specific amounts can be spent

- Non-spendable includes fund balances that cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.

- Restricted includes fund balances constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balances constrained for specific purposes that are internally imposed by the government through formal action (resolution or ordinance) of the highest level of decision making authority, which is the City Council, and may be altered only by a similar formal action of the City Council,
- Assigned includes fund balances intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes fund balance is the residual amount of the general fund which has not been classified within the above-mentioned categories.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, then assigned fund balance, and lastly unassigned fund balance.

Minimum Fund Balance

The City has a formal policy on General Fund Balance as follows: "It will be the policy of the City to establish and maintain a General Fund Balance of at least ten percent (10%) of the total General Fund's budgeted revenue, excluding the beginning fund balance and identified one-time revenues. Any and all expenditures from the General Fund Balance Reserve account shall require a majority vote of the entire City Council."

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

The City's annual budget process is similar each year. The City's budget procedures are mandated by Washington State Law. The calendar below outlines the general time frame followed to prepare, review and adopt the annual budget.

Prior to November 15, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months and balanced with available resources.

The Council conducts two public hearings on the proposed budget in November/December to obtain taxpayer comments.

The budget is legally enacted by the City Council upon completion of the public hearings by passage of an ordinance. This must be done in December so that the budget is in place on January 1 of the subsequent year.

NOTE 3- DEPOSITS AND INVESTMENTS

Deposits

The City of Moses Lake maintains a deposit relationship with a Washington State commercial bank that is classified as a Public Depository. The Public Deposit Protection Commission of the State of Washington (PDPC) covers all deposits not insured by the Federal Depository Insurance Corporation (FDIC). The FDIC insures the first \$250,000. The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool that insures public deposits. In such a pool, a group of financial institutions holding public funds pledge collateral to a common pool. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositories and optimizing collateralization requirements. At December 31, 2018, the bank balance was \$979,162

Investments

Investments are subject to the following risks.

Interest rate risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment or a deposit. Because the pools indicate they will return book value, there is minimal interest rate risk.

Credit Risk: Safety of principle is the foremost objective of the City. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Washington State Investment Pool, is like a 2a-7 fund, managed by the State Treasurer's Office is limited to high quality obligations with limited maximum and average maturities, which is to minimize both market and credit risk. The pool is unrated but the State of Washington's Legislature has regulatory oversight.

Under the City's investment policy, all temporary cash surpluses are invested. The City's investment policy is more conservative to limit risk, investing the portfolio in treasury notes and bills, certificates of deposit with qualified public depositories, and bankers acceptances with a credit rating for A1 or P1 by nationally recognized rating organizations. The City's investments are in compliance with all state investment laws and City investment policies.

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy states, with the exception of US Treasury securities and authorized pools, no more than 50% of the portfolio can be invested in a single security type or institution.

Custodial credit risk - investments: Custodial risk is the risk that in event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. The City has no custodial risk based on GASB 40 guidelines.

Investment in Local Government Investment Pool (LGIP)

The City of Moses Lake is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Investments in Grant Count Investment Pool (GCIP)

The City of Moses Lake is a participant in the Grant County Investment Pool, an external investment pool. The City reports its investment in Grant County Investment Pool (GCIP) at amortized cost rather than fair value because the difference between amortized cost and fair value is insignificant. There are no limitations or restrictions on either pool. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The county external investment pool does not have a credit rating and had a weighted average maturity of 604 days as of December 31, 2018.

As of December 31, 2018 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity (days)</u>
Grant County Investment Pool	\$ 13,046,591	not rated	1194
WA State Investment Pool	15,993,602	not rated	14
Total Fair Value	<u>\$29,040,193</u>		
Portfolio Weighted Average Maturity			604

NOTE 4- PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments due
May 31	Assessed value of property established for next year's levy at 100% of market value
October 31	Second installment is due

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$3.6 per \$1,000 of assessed valuation for general governmental services. The City's regular levy for 2018 was \$3.3228 per \$1,000 on an assessed valuation of \$2,082,206,538 for a total regular levy of \$6,918,721.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 5- CAPITAL ASSETS

A summary of Governmental capital assets for the year ended December 31, 2018 were as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 5,560,986	\$ -	\$ -	\$ 5,560,986
Infrastructure*	38,941,839	869,884	-	39,811,723
CIP	-	2,295,285	(850,290)	1,444,995
Total Non-Depreciated	44,502,825	3,165,169	850,290	46,817,704
Capital Assets Depreciated:				
Buildings	34,726,101	205,352	40,475	34,890,978
Intangible	147,051	-	-	147,051
Machinery and Equipment	14,785,370	845,593	20,772	15,610,191
Infrastructure	1,590,338	76,176	-	1,666,514
Total Depreciated	51,248,860	1,127,121	61,247	52,314,734
Less Accumulated Depreciation:				
Buildings	14,491,768	951,114	15,381	15,427,501
Intangible	147,051	-	-	147,051
Machinery and Equipment	9,699,994	796,968	20,772	10,476,190
Infrastructure	1,020,982	41,663	-	1,062,645
Total Accumulated Depreciation	25,359,795	1,789,745	36,153	27,113,387
Total Capital Assets Depreciated, Net	25,889,065	(662,624)	(25,094)	25,201,347
Governmental Activities				
Capital Assets, Net	\$70,391,890	\$ 2,502,545	\$ (875,384)	\$72,019,051

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Less associated debt				<u>(4,955,647)</u>
Capital assets net of debt				<u>\$67,063,404</u>

*The City accounts for the city streets, alleys, parking lots, boat ramps/landings, bike/jogging paths, bridges and storm drains using the modified approach and reports them as non-depreciable Infrastructure. Under the modified approach, rather than recording depreciation, asset condition is reported. The City includes internal service fund assets as part of governmental totals above. Depreciation includes amortization of intangible assets.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	Depreciation
General Government	\$ 38,935
Public Safety	39,978
Transportation	44,831
Public Works	13,634
Culture and Recreation	586,506
Capital Assets Held by the Government's Internal Service Funds, changed to the various functions based on usage	1,065,860
Total Depreciation - Governmental Activities	<u>\$ 1,789,744</u>

A summary of Business-type capital assets for the year ended December 31, 2018 were as follows:

Business-type Activities	Beginning Balance	Increase	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 987,904	\$ -	\$ -	\$ 987,904
Infrastructure	6,287,433	191,753	-	6,479,186
CIP	1,378,479	2,854,221	3,503,214	729,486
Intangible	285,127	-	-	285,127
Total Non-Depreciated	<u>8,938,943</u>	<u>3,045,974</u>	<u>3,503,214</u>	<u>8,481,703</u>
Capital Assets Depreciated:				
Buildings	40,717,401	-	-	40,717,401
Machinery and Equipment	4,840,115	1,298,705	-	6,138,820
Infrastructure	75,722,831	1,107,533	-	76,830,364
Total Depreciated	<u>121,280,347</u>	<u>2,406,238</u>	<u>-</u>	<u>123,686,585</u>
Less Accumulated Depreciation:				
Buildings	13,429,149	808,100	-	14,237,249
Machinery and Equipment	1,543,762	150,131	-	1,693,893
Infrastructure	30,107,702	1,493,478	-	31,601,180
Total Accumulated Depreciation	<u>45,080,613</u>	<u>2,451,709</u>	<u>-</u>	<u>47,532,322</u>
Total Capital Assets Depreciated, Net	<u>76,199,734</u>	<u>(45,471)</u>	<u>-</u>	<u>76,154,263</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 85,138,677</u>	<u>\$ 3,000,503</u>	<u>\$ (3,503,214)</u>	\$ 84,635,966
Less associated debt				(6,571,678)
Less non capital lease obligation				<u>(6,571,678)</u>
Capital assets net of debt				<u>\$ 78,064,288</u>

Depreciation expense charged to Business Type Activities were as follows:

<u>Business-Type Activities</u>	<u>Depreciation</u>
Water/Sewer	\$ 2,372,363
Stormwater	18,149
Ambulance	27,560
Airport	33,638
Total Depreciation - Business - Type Activities	<u>\$ 2,451,710</u>

Collections Not Capitalized

The City has a collection of Indian artifacts that have been acquired over the years, the “Adam East Collection.” This collection is held at the Moses Lake Museum and Art Center and is determined to be exempt from capitalization. This collection meets all the exemption requirements as follows:

1. The collection is held for public exhibition, education or research in furtherance of public service, rather than financial gain.
2. The collection is protected, kept unencumbered, cared for, and preserved.
3. The collection is subject to Moses Lake Museum & Art Center Collection Policy section VI: D which requires the proceeds from sales of collection items to be used to acquire other items for the collection.

Construction Commitments

The City has active construction projects as of December 31, 2018. The only active project with a significant outstanding commitment is improvements to Lakeshore Drive Water Main Improvement and Well 31B Development. Water Capital reserves will be used to liquidate the commitment.

<u>Project</u>	<u>Total Contract Amount Awarded</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Lakeshore Dr. water main improvement	\$ 270,000	\$ 7,183	\$ 262,817
Well 31B development	1,000,000	10,619	989,381
Total	<u>\$ 1,270,000</u>	<u>\$ 17,802</u>	<u>\$ 1,252,198</u>

NOTE 6- PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the [GASB Statement 68, Accounting and Financial Reporting for Pensions](#) for the year 2018.

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$ (3,611,324)
Pension Assets	\$ 4,011,675
Deferred outflows of resources	\$ 1,064,962
Deferred inflows of resources	\$ (2,753,556)
Pension expense/expenditures	\$ (153,045)

State Sponsored Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems 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 (DRS), 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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible

for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January - August 2018		
PERS Plan 1	7.49	6.00
PERS Plan1 UAAL	5.03	-
Administrative Fee	0.18	-
Total	<u>12.70</u>	<u>6.00</u>
September - December 2018		
PERS Plan 1	7.52	6.00
Pers Plan 1 UAAL	5.13	-
Administrative Fee	0.18	-
Total	<u>12.83</u>	<u>6.00</u>

*** For employees participating in JBM, the contribution rate was 12.26%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates: January-June 2018		
	Employer	Employee*
January - August 2018:		
PERS Plan 2/3	7.49	7.38
PERS Plan 1 UAAL	5.03	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	<u>12.70</u>	<u>7.38</u>
September - December 2018:		
PERS Plan 2/3	7.52	7.41
PERS Plan 1 UAAL	5.13	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	<u>12.83</u>	<u>7.41</u>

*** For employees participating in JBM, the contribution rate was 18.45% to 18.53%**

The City's actual PERS plan contributions were \$376,341 to PERS Plan 1 and \$557,483 to PERS Plan 2/3 for the year ended December 31, 2018.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.25 %	8.75 %
Administrative fee	0.18 %	- %
Total	<u>5.43 %</u>	<u>8.75 %</u>
Ports and Universities	8.75 %	8.75 %
Administrative fee	0.18 %	- %
Total	<u>8.93 %</u>	<u>8.75 %</u>

The City's actual contributions to the plan were \$309,397 for the year ended December 31, 2018.

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. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$190,649.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Rate of Return Arithmetic
Fixed Income	20.00 %	1.70 %
Tangible Assets	7.00 %	4.90 %
Real Estate	18.00 %	5.80 %
Global Equity	32.00 %	6.30 %
Private Equity	23.00 %	9.30 %
Total	100.00 %	-

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 2,989,299	\$ 2,432,425	\$ 1,950,061
PERS 2/3	\$ 5,392,312	\$ 1,178,899	\$ (2,275,629)
LEOFF 1	\$ (448,979)	\$ (564,385)	\$ (663,743)
LEOFF 2	\$ (458,425)	\$ (3,447,290)	\$ (5,885,057)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a net pension asset of \$4,011,675 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 2,432,425
PERS 2/3	\$ 1,178,899
LEOFF 1	\$ (564,385)
LEOFF 2	\$ (3,447,290)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	<u>LEOFF 1 Asset</u>	<u>LEOFF 2 Asset</u>
Employer's proportionate share	\$ (564,385)	\$ (3,447,290)
State's proportionate share of the net pension asset associated with the employer	<u>\$ (3,817,487)</u>	<u>\$ (2,232,055)</u>
Total	<u>\$ (4,381,872)</u>	<u>\$ (5,679,345)</u>

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	<u>Proportionate Share 6/30/2017</u>	<u>Proportionate Share 6/30/2018</u>	<u>Change in Proportion</u>
PERS 1	0.056 %	0.054 %	0.002 %
PERS 2/3	0.071 %	0.069 %	0.002 %
LEOFF 1	0.031 %	0.031 %	- %
LEOFF 2	0.175 %	0.170 %	0.005 %

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 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. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the City recognized pension expense as follows:

	<u>Pension Expense</u>
PERS 1	\$ 131,525
PERS 2/3	\$ (68,814)
LEOFF 1	\$ (94,974)
LEOFF 2	<u>\$ (120,780)</u>
Total	<u>\$ (153,043)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>PERS 1</u>		
Net different between projected and actual investment earnings on pension plan investments	\$ -	\$ (96,663)
Contributions subsequent to the measurement date	\$ 190,220	\$ -
Total	\$ 190,220	\$ (96,663)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>PERS 2/3</u>		
Differences between expected and actual experience	\$ 144,502	\$ (206,404)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (723,427)
Changes in assumptions	\$ 13,791	\$ (335,505)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ (116,193)
Contributions subsequent to the measurement date	\$ 280,760	\$ -
Total	\$ 439,053	\$ (1,381,529)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>LEOFF 1</u>		
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (45,820)
Total	\$ -	\$ (45,820)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>LEOFF 2</u>		
Differences between expected and actual experience	\$ 184,665	\$ (80,046)
Net different between projected and actual investment earnings on pension plan investment	\$ -	\$ (603,322)
Changes in assumptions	\$ 1,951	\$ (494,748)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 86,679	\$ (51,428)
Contributions subsequent to the measurement date	\$ 162,393	\$ -
Total	\$ 435,688	\$ (1,229,544)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 329,167	\$ (286,450)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,469,232)
Changes of assumptions	\$ 15,742	\$ (830,253)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 86,679	\$ (167,621)
Net difference between projected and actual investment earnings on pension plan investments	\$ 633,373	\$ -
Total	<u>\$ 1,064,961</u>	<u>\$ (2,753,556)</u>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2019	\$ 4,229	\$ (142,395)	\$ 44	\$ (61,054)
2020	\$ (21,131)	\$ (258,145)	\$ (10,337)	\$ (152,401)
2021	\$ (63,409)	\$ (459,529)	\$ (28,153)	\$ (347,172)
2022	\$ (16,353)	\$ (180,699)	\$ (7,374)	\$ (135,356)
2023	\$ -	\$ (77,418)	\$ -	\$ (49,823)
Thereafter	\$ -	\$ (105,049)	\$ -	\$ (210,444)

Local Governments Firemens' Pension Plan

The City of Moses Lake is also the administrator of a pension retirement plan called Firemen's Pension Plan, which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.16 and 41.18. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefit provisions are established by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970, when the LEOFF retirement system was established.

The City's obligation under the Firemen's Pension Plan consists of paying the difference between pension benefits provided by LEOFF and those provided by the Firemen's' Pension Plan for covered firefighters who retire after March 1, 1970.

<u>Membership of the Firemen's Pension Plan</u>	<u>December 31, 2018</u>
Retirees currently receiving full retirement benefits through LEOFF	6
Retirees receiving benefits through both LEOFF and FPP	2
Beneficiaries receiving benefits through FPP	3
Active plan members'	-

Contributions

Current contributions to the plan are comprised of interest on investments and the state tax on fire insurance. Pension payments increase by Cost of Living Allowances (COLAs) from the Washington State Retirement system. Medical insurance premiums and service costs were paid from the general fund fire department in 2015, therefore 2015 forward, 100% of pension fund assets are available for pension payments. COLAs are capped at three percent and will remain below projected increases in Medical Insurance Premiums. Assets, medical service costs, and premiums from the Firemen's Pension Plan are as follows:

Schedule of Funding Progress for Firemen's Pension Plan

Actuarial Valuation Date	Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
12/31/2015	\$ 318,517	\$ 146,871	\$ (171,646)	217 %	\$ -	- %
12/31/2016	330,371	153,324	(177,047)	215 %	-	- %
12/31/2017	343,215	212,009	(131,206)	162 %	-	- %
12/31/2018	\$ 357,908	\$ 192,593	\$ (165,315)	186 %	\$ -	- %

Note: 2015 first year of actuarial valuation of pension plan without OPEB.

Schedule of Employer Contributions for the Firemen's Pension Plan

Fiscal Year Ending	Actual Employer Contribution	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contributions (ARC)	Percentage of ARC Contributed
12/31/2015	\$ -	\$ 29,272	\$ 29,272	\$ (10,105)	\$ -
12/31/2016	-	28,586	28,586	(8,534)	-
12/31/2017	-	30,190	30,190	(6,206)	-
12/31/2018	\$ -	\$ 29,791	\$ 29,791	\$ (8,794)	\$ -

Note: 2015 first year of actuarial valuation of pension plan without OPEB

	2018
Annual required contribution (ARC)	
1. Amortization of UAAL-beginning of year	\$ (10,960)
2. Interest to end of year	(238)
3. ARC at end of year	(11,198)
Interest on NPO	(207)
Adjustment to ARC	2,610
Annual pension cost	(8,794)
Employer contributions	29,791
Change in NPO	(38,585)
NPO at beginning of year	(112,893)
NPO at end of year	\$ (151,478)

Net Pension Obligation Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Annual Pension Costs Contributed	Contribution as a Percent of APC	Net Pension Obligation (NPO)
12/31/2014	\$ -	\$ 28,955	- %	\$ -
12/31/2015	(10,105)	29,272	290 %	(39,377)
12/31/2016	(8,534)	28,586	335 %	(76,497)
12/31/2017	(6,206)	30,190	486 %	(112,893)
12/31/2018	\$ (8,794)	\$ 29,791	339 %	\$ (151,478)

Note: 2015 first year of actuarial valuation of pension plan without OPEB

Deferred Compensation Plans

The City of Moses Lake offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Employees are offered a choice of plans with ICMA Retirement Corporation or the State of Washington Deferred Compensation Program. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The plan's funds, held in trust for the exclusive benefit of the participants and their beneficiaries, are not included in the presentation of the City's financial reports.

NOTE 7- RISK MANAGEMENT

The City of Moses Lake is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 160 members.

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

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

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

being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues.

General obligation bonds currently outstanding are as follows:

<u>Name of Issuance</u>	<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Original Debt</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
2010 LTGO Bond	Civic Center	09/07/2010	12/01/2020	\$ 5,925,000	2.00-3.25%	\$ 1,310,000
2012 LTGO Bond	Gov'tl - Internal Service Refunding	12/12/2012	09/01/2023	1,650,000	.75-3.00%	855,000
2015 LTGO Bond	Gov'tl Activities Refunding	7/14/15	8/1/2026	2,970,833	3.00-4.00%	2,566,667
2015 LTGO Bond	Operation Complex Refunding	07/14/2015	08/01/2026	594,167	3.00-4.00%	513,333
Total				<u>\$ 11,140,000</u>		<u>\$ 5,245,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Interest</u>
2019	\$ 1,092,500	\$ 160,446	\$ 57,500	\$ 18,767	\$ 1,150,000	\$ 179,213
2020	1,125,833	127,671	59,167	17,042	1,185,000	144,713
2021	475,000	92,233	60,000	15,267	535,000	107,500
2022	483,333	77,983	61,667	13,467	545,000	91,450
2023	500,833	60,400	64,167	11,000	565,000	71,400
2024-2027	1,054,167	85,500	210,833	17,100	1,265,000	102,600
Total	<u>\$ 4,731,666</u>	<u>\$ 604,233</u>	<u>\$ 513,334</u>	<u>\$ 92,643</u>	<u>\$ 5,245,000</u>	<u>\$ 696,876</u>

Revenue bonds currently outstanding are as follows:

<u>Bond</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Original Debt</u>	<u>Interest Rate</u>	<u>Balance</u>
Revenue Bonds '04	10/13/2004	9/01/2024	\$ 7,015,000	5.00%	\$ 4,285,000
Revenue Bonds '11	08/23/2011	9/01/2021	4,905,000	2.5-3.25%	1,590,000
Total			<u>\$ 11,920,000</u>		<u>\$ 5,875,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 975,000	\$ 263,350	\$ 1,238,350
2020	1,015,000	226,188	1,241,188
2021	1,060,000	184,713	1,244,713
2022	545,000	141,250	686,250
2023	1,110,000	114,000	1,224,000
2024-2025	1,170,000	58,500	1,228,500
Total	<u>\$ 5,875,000</u>	<u>\$ 988,001</u>	<u>\$ 6,863,001</u>

Per Internal Revenue Service Code Section 148, rebate arbitrage are earnings on investments purchased from gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebate arbitrage must be paid to the federal government. The City of Moses Lake carefully monitors investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2018 the City has no arbitrage rebate liability.

Government Loans

Government loans have been received to provide for construction of proprietary fund capital. The City participates in a program administered by the state's Department of Community Development on behalf of the Public Works Trust Fund (PWTF) Board. The program provides low interest loans for local infrastructure projects. Government loans for improvements at Wastewater Treatment Plant (WWTP) outstanding at year-end are as follows:

<u>Loan</u>	<u>Interest Rate</u>	<u>Amount</u>
PWTF WWTP-Design	.50%	\$ 96,841
PWTF WWTP-Construction	.50%	2,117,647
Total		<u>\$ 2,214,488</u>

The annual debt service requirements to maturity for Government loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 561,692	\$ 11,072	\$ 572,764
2020	561,692	8,237	569,929
2021	561,692	5,456	567,148
2022	529,412	2,647	532,059
Total	<u>\$ 2,214,488</u>	<u>\$ 27,412</u>	<u>\$ 2,241,900</u>

In proprietary funds, unamortized debt issue costs are recorded as deferred inflow and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt

premium and increased by the amortization of debt issue costs and discount.

At December 31, 2018, the City has \$184,488 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,312,269 in sinking funds and reserves as required by bond indentures.

NOTE 9- LEASES

Capital Leases

The City of Moses Lake has entered into lease agreements for financing machinery, equipment and other improvements. An insignificant portion of these capital leases were used to purchase items below the capitalization threshold and therefore are non-capital items.

These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Net Capital Lease Asset	Governmental Activities	Business- Type Activities
Machinery & Equipment	\$ 1,814,256	\$ -
Less Accumulated Depreciation	535,492	-
Total	\$ 1,278,764	\$ -

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018 are as follows:

Year	Governmental Activities	Business-Type Activities
2019	\$ 347,895	\$ -
2020	287,696	-
2021	104,954	-
2022	35,522	-
Total Minimum Lease Payments	776,067	-
Less: Interest	56,046	-
Present Value of Minimum lease Payments	\$ 720,021	\$ -

NOTE 10- CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2018	Additions	Reductions	Ending Balance 12/31/18	Due Within One Year	Internal Service Funds
Governmental activities						
Bonds payable:						
General obligation bonds	\$ 5,791,666	\$ -	\$ 1,060,000	\$ 4,731,666	\$ 1,092,500	\$ 2,165,000
Less deferred amount						
Issuance premiums(discounts)	266,546	-	42,518	224,028	-	55,791
Total bonds	6,058,212	-	1,102,518	4,955,694	1,092,500	2,220,791
Capital leases	1,221,820	-	465,074	756,746	361,824	756,746
Claims and judgements	-	-	-	-	-	-
Compensated absences	1,686,854	120,398	-	1,807,252	10,979	98,809
Pension	3,722,470	-	867,961	2,854,509	-	348,263
OPEB	1,065,744	2,673,202	-	3,738,946	-	-
Governmental liabilities	<u>\$ 13,755,100</u>	<u>\$ 2,793,600</u>	<u>\$ 2,435,553</u>	<u>\$ 14,113,147</u>	<u>\$ 1,465,303</u>	<u>\$ 3,424,609</u>
Business-type activities						
Bonds payable:						
General obligation bonds	\$ 568,323	\$ -	\$ 55,000	\$ 513,323	\$ 57,489	
Revenue bonds	6,810,000	-	935,000	5,875,000	975,000	
Less deferred amounts						
Issuance premiums(discounts)	216,424	-	33,069	183,355	-	
Total bonds	7,594,747	-	1,023,069	6,571,678	1,032,489	
Governmental loans	2,776,180	-	561,692	2,214,488	561,692	
Compensated absences	597,988	-	124,124	473,864	47,386	
Pension/OPEB	1,378,039	-	621,224	756,815	-	
Business-type liabilities	<u>\$ 12,346,954</u>	<u>\$ -</u>	<u>\$ 2,330,109</u>	<u>\$ 10,016,845</u>	<u>\$ 1,641,567</u>	

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year end \$3,424,609 of internal service funds debt and compensated absences are included in the above amounts. Also, for the governmental activities except internal service funds, claims and judgments and compensated absences are generally liquidated by the general fund.

NOTE 11- CONTINGENCIES AND LITIGATIONS

The City of Moses Lake has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowance, if any, will be immaterial.

As of December 31, 2018, there were no significant lawsuits.

Of the litigation settled in the past three years, where the City was the defendant, none exceeded the insurance coverage.

NOTE 12- RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$4,932,522 of restricted component of net position, of which \$835,472 is restricted by enabling legislation.

NOTE 13- INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Loans between funds are classified as interfund loans receivable or payable on the statement of net position. The loans were for Operations Complex construction, Civic Center Construction, and operating expenses. Interfund balances at December 31, 2018 were as follows:

DUE TO	DUE FROM				TOTALS
	GENERAL FUND	BUILDING MAINTENANCE	SANITATION FUND	AMBULANCE FUND	
Water/Sewer	\$ -	\$ 2,831,662	\$ 300,000	\$ 150,000	\$ 3,281,662
Totals	\$ -	\$ 2,831,662	\$ 300,000	\$ 150,000	\$ 3,281,662

Interfund Transfers

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The principle reason for the transfers is to move the resources from the fund collecting them to the fund using them as required by statute or budget and to account for operating subsidies between funds in accordance with budget authorization. The interfund transfer activity for the year is as follows:

TRANSFER TO	TRANSFER FROM					TOTALS
	GENERAL	STREETS	TOURISM	DEBT SERVICE	WATER SEWER	
General	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000
Streets	1,705,000	-	-	-	-	1,705,000
Debt Service	113,200	150,900	613,200	-	-	877,300
Ambulance	74,340	-	-	-	-	74,340
Totals	<u>\$ 1,892,540</u>	<u>\$ 150,900</u>	<u>\$ 613,200</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>3,156,640</u>

NOTE 14- OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In addition to the pension benefits described in Note No. 6, the City provides post-retirement medical care benefits for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2018:

<u>Aggregate OPEB Amounts - LEOFF 1 Retiree HealthPlan</u>	
OPEB Liability	\$ 7,366,225
OPEB expense/expenditures	\$ (9,666)

Membership

Currently the City has 15 individuals that meet the eligibility requirements. This is considered a closed group with no new eligible members.

Plan Description

The "plan" is required by State of Washington Revised Code (RCW) chapter 41.26. Employers, such as municipalities, counties, and fire districts, are required to pay the costs of necessary medical services for any active or retired members of the Law Enforcement Officers' and Firefighters' Retirement System Plan One (LEOFF I). Under subsection 4, the employer may provide for medical insurance through insurance carriers. The plan covers retirees who are retired on disability as well as those who are retired after reaching age requirements. To qualify for medical services, the employee need only be active or disability retired, or the employee's service retirement date is that day following separation from LEOFF employment with the City. To make this plainer, if the employee leaves the City and takes a job with another member of the Washington State Retirement System, regardless of the plan, then that member would then be liable for the employee's medical services. Employees may retire after 5 years of service after reaching age 50. Employees with 20 years of service who leave employment before retirement age are eligible for medical benefits upon reaching age 50. Insurance for retired individuals is provided through the employer's group plan, which covers both active and qualified retired members. The health insurance coverage and medical costs for retired firefighters are paid for out of the fire department budget and law enforcement officers are paid out of the police department budget. The medical services cover active and retired members only. Spouses are not eligible. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Status and Funding Policy

As of December 2018, there are no active members, and currently 15 retired members, all receiving benefits. Health insurance premiums are paid monthly. Other medical services are paid bi-monthly as billings are presented for reimbursement. The City reimburses 100 percent of the amount of validated claims for medical costs incurred by these individuals. The pension board performs an annual survey to determine the care to be covered. Employer contributions are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Fire fighter and police benefits are paid out of the general fund.

For 2018, the City paid medical insurance premiums of \$52,316 for pre-age 65 and \$129,245 for post-age

65. Other medical payments paid by the City are for all eligible medical services not paid for by the insurance.

Total OPEB Liability

The City's total OPEB liability of \$7,366,225 was measured as of December 31, 2018.

Schedule of Changes in the Total OPEB Liability

<u>LEOFF 1 Retiree HealthPlan</u>	
Total OPEB Liability at 1/1/2018	\$ 7,654,903
Service cost	-
Interest	-
Changes of benefit terms	-
Differences between expected and actual experience	268,752
Changes of assumptions	(259,086)
Benefit payments	(298,344)
Other changes	-
Total OPEB Liability at 12/31/2018	<u>\$ 7,366,225</u>

The schedule of changes in the Total OPEB Liability (TOL) reconciles the change in the TOL from the prior year's valuation. The reconciliation is also used to calculate the components of the OPEB Expense table. Given the maturity of LEOFF 1 Retiree HealthPlan, all OPEB Expense table components match the TOL reconciliation above. This is because the differences between expected and actual experience, and the assumption changes, are amortized, or spread out, over a one-year period (or rather are recognized immediately). Under GASB 75, the amortization time period equals the average of the expected remaining service lives of all active and inactive members that are provided with OPEB through the OPEB plan. LEOFF 1 Retiree HealthPlan is 100% retired, therefore the amortization period is one year.

LEOFF 1 Retiree HealthPlan does not have deferred outflows or inflows since all costs are recognized immediately. As such, the Deferred Outflows and Inflows of Resources table and the Subsequent Recognition Years table required by GASB 75 would both display zeroes.

Actuarial Methods and Assumptions

LEOFF 1 Retiree HealthPlan does not have deferred outflows or inflows since all costs are recognized immediately. As such, the Deferred Outflows and Inflows of Resources table and the Subsequent Recognition Years table required by GASB 75 would both display zeroes.

The City used the alternative measurement method permitted under GASB Statement No. 45. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

There are no active employees in this plan. The historical age of retirement for regular retirees is 55 years of age; the City's average was 51 years of age. Employees who retired on disability were excluded from this calculation.

Life expectancies are based on mortality tables at the Office of the State Actuary for Washington (osa.leg.wa.gov). Life expectancies that included partial years were rounded to the nearest whole year. The calculation of post-employment health insurance coverage for each year in the worksheet is based on the assumption that all participants will live until their expected ages as displayed in the mortality tables.

The expected rate of increase in health care insurance premiums is based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, as published in National Health Care Expenditures Projections 2014-2024 Tables, Table 16: National Health Expenditure Amounts, and Annual Percent Change by Type of Sponsor: Calendar Years 2009-2025 published by the Health Care Financing Administration (www.cms.hhs.gov).

Based on the S&P Municipal Bond 20 Year High Great Rate Index, a discount rate of 3.60 percent was used. In addition, the actuarial cost method used to determine the actuarial accrued liability was Entry Age Normal. The funded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2018 is thirteen years.

Sensitivity of the Total OPEB Liability

The Total OPEB Liability will only be realized if future economic and demographic experience matches our assumptions. It is equally important to understand what will happen if the economic and demographic experience is different than assumed. Below, we analyze the impact of changing the Healthcare Trend and Discount Rate assumptions by 1 percentage point.

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate of 6.4 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.4%) or 1-percentage point higher (7.4%) that the current rate.

	1% Decrease (5.4%)	Current Healthcare Cost Trend Rate (6.4%)	1% Increase (7.4%)
Total OPEB Liability	\$ 8,341,420	\$ 7,366,225	\$ 6,554,078

The following presents the total OPEB liability of the City calculated using the discount rate of 3.6 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.6%) or 1-percentage point higher (4.6%) that the current rate.

	1% Decrease (5.4%)	Current Healthcare Cost Trend Rate (6.4%)	1% Increase (7.4%)
Total OPEB Liability	\$ 6,582,925	\$ 7,366,225	\$ 8,285,026

NOTE 15- HEALTH & WELFARE

The City of Moses Lake 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, 2018, 257 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 2018, 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"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. 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 16- JOINT VENTURES

In 1995, the City of Moses Lake entered an Inter-local Cooperative Agreement under the authority of RCW Chapter 39.34 in order to provide for the joint exercise of powers, privileges and authorities to operate a consolidated 911 emergency dispatch facility named Multi Agency Communications Center (MACC). MACC serves as the Public Safety Answering Point for all of the law enforcement agencies in Grant County. The City paid a rate of \$53,767 per month in 2018. Other participants of the 1995 Agreement include: the City of Electric City, the City of Ephrata, the City of Grand Coulee, the City of Quincy, the City of Royal City, the City of Soap Lake, the City of Warden, Emergency Telephone Tax District, Ephrata Telephone Tax District, Grant County, Grant County Emergency Services, Grant County Coroner, Grant County Fire District #3, Grant County Fire District #4, Grant County Fire District #5/15, Grant County Fire District #6, Grant County Fire District #7, Grant County Fire District #8, Grant County Fire District #10, Grant County Fire District #11, Grant County Fire District #12, Grant County Fire District #13, Grant County Fire District #14, Grant County Mental Health, Grant County Public Hospital District #2 dba Quincy Valley Hospital, Grant County Sherriff Office, Port of Moses Lake, the Town of Coulee City, and the Town of Mattawa. Grant County will account for MACC as an Agency fund and financial reports can be obtained for MACC at the Grant County Auditor's Office, 37 C ST NW Ephrata, Washington, 98823.

NOTE 17- CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

For the fiscal year ended December 31, 2018, the city implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefit Other than Pensions." This statement replaced GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended. The statement establishes standards for recognizing and measuring liability, deferred outflows of resources, and expenditures. Due to the requirement of this statement, the City has incurred a change in accounting principle, as displayed below:

	Governmental Activity
OPEB balance per GASB 45	\$ 1,065,744
Change in Accounting Principle	6,589,159
OPEB balance per GASB 75	<u><u>7,654,903</u></u>

In addition, a prior period adjustment was recorded to correct the balances in pension accounts:

	Net Pension Liability	Deferred Outflow Pension	Deferred Inflow Pension
Balance at 12/31/2017 as reported	\$ 5,100,510	\$ 1,038,272	\$ 1,596,478
Prior Period Adjustment	22,971	(79,553)	(78,096)
Balance at 2017 as reported	<u>\$ 5,123,481</u>	<u>\$ 958,719</u>	<u>\$ 1,518,382</u>

CITY OF MOSES LAKE
Required Supplementary Information

Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Streets

The City has taken a proactive approach with its maintenance practices associated with its streets and roads. The City performs condition assessments on its system of streets through the City Pavement Management System. This program generates a Pavement Condition Rating (PCR) for each segment of primary streets, secondary streets, tertiary collectors and residential streets. There is a numerical index from zero to 100 (0 - 100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as cracking. Based on the PCR valuation, condition ratings are assigned as follows: a PCR of less than 20 is considered to be in "very poor" condition; a PCR of greater than 20 but less than 40 is defined as having a "poor" status; a PCR of between 40 and 60 is regarded as being in "fair" condition; a PCR of 60 to 80 is evaluated as being in "good" status and a score from 80 to 100 is defined as being in "very good" condition. Condition assessments are undertaken at least once every three years. The three most recent complete assessments of the City's streets are shown below.

Condition rating	2018		2017 - 2015		2014 - 2012	
	Feet	%	Feet	%	Feet	%
VERY POOR	66,178	9.33 %	19,892	2.65 %	14,989	2.02 %
POOR	81,520	11.49 %	8,312	1.11 %	8,818	1.19 %
FAIR	-	- %	29,231	3.90 %	18,746	2.53 %
GOOD	126,805	17.88 %	181,759	24.23 %	153,206	20.69 %
VERY GOOD	434,799	61.31 %	510,792	68.10 %	544,763	73.56 %
TOTAL	<u>709,302</u>	<u>100.01 %</u>	<u>749,986</u>	<u>99.99 %</u>	<u>740,522</u>	<u>99.99 %</u>

It is the Policy of the City Engineering Department to maintain 70 percent of the streets at a PCR of 40 or higher. The table below shows the length and percentage of feet of streets that meet the 40 target level

PCR score	2018		2017 - 2015		2014 - 2012	
	Feet	%	Feet	%	Feet	%
PCR 0 to 39	147,698	20.82 %	28,204	3.76 %	23,807	3.21 %
PCR 40 to 100	561,604	79.18 %	721,782	96.24 %	716,715	96.79 %
Total	<u>709,302</u>	<u>100.00 %</u>	<u>749,986</u>	<u>100.00 %</u>	<u>740,522</u>	<u>100.00 %</u>

The four classifications of streets that the City has are primary, secondary, tertiary collectors and residential. There is a state highway which is considered a primary street that bisects the City which is maintained and evaluated by the State of Washington, Department of Transportation. The majority of streets that fall below the PCR to 40 are residential streets. The majority of the remaining streets under the PCR of 40 is a section of the City that has no sewer services at this time. Once funding is available to extend utilities to the particular area it is the City's plan to construct paved streets and maintained them at a level consistent with the remainder of the City.

Below is information on budgeted and actual expenditures incurred to maintain and preserve the street system at or above the minimum acceptable condition level from 2010 to 2018

	Amounts in Thousands								
	2018	2017	2016	2015	2014	2013	2012	2011	2010
Budgeted	2,980	1,530	1,008	210	160	700	158	1,210	550
Expended	1,352	1,314	894	183	186	700	265	775	859

The budgeted amount is equivalent to the anticipated amount needed to maintain streets up to the recommended condition level. Under spending of budgeted amounts occurs when street projects are removed from the work schedule due to conflicts with other major construction work; lowering of priority due to cost considerations brought on by excessive bids over estimates or shortages of sufficient contractor bids; and through direction from Council.

Bridge

The City currently maintains one simple structure bridge. Physical inspections to determine the surface and underneath condition of the bridge and the degree of wear and deterioration are carried out every two years by City staff. Underwater inspections are contracted by the State Department of Transportation once every five years. Inspections reveal deficiencies in the bridge such as steel corrosion, damaged pillars, cracked concrete, deteriorated bridge decks and erosion. These are documented in an inspection report provided by the State Department of Transportation along with recommended repairs and needed services.

A key elements in determining the condition of the bridge is the Sufficiency Rating (SR), the numerical value which indicates a bridge's relative ability to serve its intended purpose, measure considered by state and federal governments as the basis for establishing eligibility and priority for the bridge replacement and rehabilitation. The numerical rating is based on the summation of four calculated values: structural adequacy and safety, serviceability and functional obsolescence, essentiality for public use, and special reductions. The value ranges from 100 (newly constructed bridge) to 0 (bridge incapable of carrying traffic).

In general, the lower the SR, the higher the priority. To qualify for replacement, a bridge must have a sufficiency rating of less than 50 and be structurally deficient or functionally obsolete. To be eligible for rehabilitation, a bridge must have a SR of 80 or less and be structurally deficient or functionally obsolete. A structurally deficient bridge is defined as one whose condition or design has impacted its ability to adequately carry intended traffic loads. A functionally obsolete bridge is one in which the deck geometry load carrying capacity, clearance, or approach roadway alignment has reduced its ability to adequately meet traffic needs below accepted design standards.

Below are the three most recent sufficiency ratings of the Alder St. causeway.

	<u>Sufficiency Rating</u>
2015	73%
2011	70%
2006	69%

It is the policy of the City to maintain its bridge in such a manner that the sufficiency rating is 20 or higher. A rating of 20 or less is usually indicative of a bridge with structural deficiency. The most common remedy is full replacement or rehabilitation of the bridge. As of September 30, 2015 the City's lone bridge was given a 'good' evaluation. With annual surface inspections and maintenance, as well as minimal water flow under the bridge it is anticipated that the bridge will continue to have favorable evaluation well into the

future. With little change in the last two ratings the results of the City's efforts to maintain the bridge in above standard condition are evident.

Because the City's bridge is relatively small (149 feet long) the budget and actual expended amounts to maintain and preserve the bridge are included in the budget and expended amounts for streets. Historically there has been no identifiable budget or expenditure for the maintenance of the lone bridge.

Budget amounts are the anticipated amount needed to maintain and preserve the bridge up to the required condition level. The traffic, weight loads, aging and weather extremes all have an effect on the condition and maintenance level of the bridge.

Storm Water

The City established a storm water fund in 2010, and in 2011 the City transferred assets worth \$4,197,819 previously held by the Street Department to the fund. The storm water system includes manholes, catch basins, underground injection control structures (i.e. drywells), infiltration basins, outfall structures and pipe. The City finished locating and documenting all storm water infrastructure in 2016, allowing all inspections to be entered into a comprehensive reporting system. The documentation was completed with the addition of the 29 miles of storm pipe. Condition assessments will be completed every three years with one-third of the system structures inspected annually. The City's storm pipe will be inspected over 8-10 years with those sections that are found to collect more sediment to be inspected on a more regular basis.

The rating system is a numerical index from zero to 100 (0-100) that represents the storm water's functional condition based on the quality, severity, and type of problem, such as sedimentation, structure cracks, etc. At this time there is no rating system for manholes. The City is developing a system that would closely mimic the existing rating system but currently manholes being inspected are given either a pass or fail grade. The measurement scale and basis for condition measurement is as follows:

Rating

- 70-100 Good Condition-serves the intended function and scores well in all areas
- 41-69 Fair condition-serves the intended function, but scores less well and has other issues.
- 0-40 Poor condition- may or may not fulfill its design function, has other serious issues, and requires maintenance or rebuild.

It is the policy of the City Engineering Department to maintain 70% of the storm water structures and pipe at a condition of 41 or higher. All manholes and 2 miles (8%) of pipe were inspected in 2016. All pipe inspected was found to be in fair to good condition. All catch basins have been inspected in the last three years as has 95% of the approximately 3,350 total structures. Of the inspected structures, excluding pipe, eight percent were in poor to fair condition with the remaining 92% in fair to good condition.

Budget amounts are the anticipated amount needed to maintain and preserve the storm water system up to the required condition level. The last five years are as follows.

	Amounts in Thousands				
	2018	2017	2016	2015	2014
Budgeted	\$ 787	\$ 595	\$ 673	\$ 516	\$ 546
Expended	\$ 749	\$ 625	\$ 590	\$ 475	\$ 523

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1
As of June 30, 2018
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.054465 %	0.056081 %	0.059183 %	0.058920 %
Employer's proportionate share of the net pension liability	\$ 2,432,425	\$ 3,011,814	\$ 3,178,406	\$ 3,082,064
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	<u>\$ 2,432,425</u>	<u>\$ 3,011,814</u>	<u>\$ 3,178,406</u>	<u>\$ 3,082,064</u>
Employer's covered employee payroll	\$ 29,442	\$ 59,441	\$ 6,806,380	\$ 6,781,379
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	8,261.8 %	5,066.9 %	46.7 %	45.4 %
Plan fiduciary net position as a percentage of the total pension liability	63.22 %	61.24 %	59.10 %	59.10 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 2/3
As of June 30, 2018
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.069046 %	0.070870 %	0.072259 %	0.072378 %
Employer's proportionate share of the net pension liability	\$ 1,178,899	\$ 2,462,394	\$ 3,638,184	\$ 2,586,107
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	<u>\$ 1,178,899</u>	<u>\$ 2,462,394</u>	<u>\$ 3,638,184</u>	<u>\$ 2,586,107</u>
Employer's covered employee payroll	\$ 7,194,485	\$ 6,942,538	\$ 5,806,141	\$ 6,633,123
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	16.4 %	35.5 %	62.7 %	39.0 %
Plan fiduciary net position as a percentage of the total pension liability	95.77 %	90.97 %	85.82 %	89.20 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
LEOFF Plan 1
For the Year Ended December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.031087 %	0.030779 %	0.030556 %	0.031497 %
Employer's proportionate share of the net pension liability	\$ 564,385	\$ 466,985	\$ 314,814	\$ 379,608
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 3,817,487	\$ 3,158,676	\$ 2,129,395	\$ 2,567,659
TOTAL	<u>\$ 4,381,872</u>	<u>\$ 3,625,661</u>	<u>\$ 2,444,209</u>	<u>\$ 2,947,267</u>
Plan fiduciary net position as a percentage of the total pension liability	114.42 %	135.96 %	123.74 %	127.36 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
LEOFF Plan 2
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.169799 %	0.175273 %	0.168008 %	0.175245 %
Employer's proportionate share of the net pension liability	\$ 3,447,290	\$ 2,432,221	\$ 977,185	\$ 1,801,168
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 2,232,055	\$ 1,577,737	\$ 637,053	\$ 1,190,934
TOTAL	<u>\$ 5,679,345</u>	<u>\$ 4,009,958</u>	<u>\$ 1,614,238</u>	<u>\$ 2,992,102</u>
Employer's covered employee payroll	<u>\$ 5,608,617</u>	<u>\$ 5,493,721</u>	<u>\$ 5,089,727</u>	<u>\$ 5,195,821</u>
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	61.5 %	44.3 %	19.2 %	34.7 %
Plan fiduciary net position as a percentage of the total pension liability	118.50 %	113.36 %	106.04 %	111.67 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
PERS Plan 1
For the Year Ended December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 364,057	\$ 514,045	\$ 332,976	\$ 15,102
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (364,057)</u>	<u>\$ (514,045)</u>	<u>\$ (332,976)</u>	<u>\$ (15,102)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employer payroll	\$ 29,442	\$ 88,832	\$ 6,862,609	\$ 148,256
Contributions as a percentage of covered employee payroll	1,236.52 %	578.67 %	4.85 %	10.19 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
PERS Plan 2/3
As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 532,768	\$ 687,427	\$ 421,911	\$ 671,782
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (532,768)</u>	<u>\$ (687,427)</u>	<u>\$ (421,911)</u>	<u>\$ (671,782)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employer payroll	\$ 10,935,656	\$ 10,384,172	\$ 6,772,246	\$ 6,633,123
Contributions as a percentage of covered employee payroll	4.87 %	6.62 %	6.23 %	10.13 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
LEOFF Plan 1
As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Statorily or contractually required contributions	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in relation to the statorily or contractually required contributions	\$ 0	\$ 0	\$ 0	\$ 0
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered employer payroll	\$ 0	\$ 0	\$ 0	\$ 0
Contributions as a percentage of covered employee payroll	0.00 %	0.00 %	0.00 %	0.00 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
LEOFF Plan 2
As of December 31, 2018
Last 10 Fiscal Years

	2018	2017	2016	2015
Statorily or contractually required contributions	\$ 294,447	\$ 418,850	\$ 258,688	\$ 272,168
Contributions in relation to the statorily or contractually required contributions	\$ (294,447)	\$ (418,850)	\$ (258,688)	\$ (272,168)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered employer payroll	\$ 8,619,087	\$ 7,991,703	\$ 5,122,544	\$ 5,195,821
Contributions as a percentage of covered employee payroll	3.42 %	5.24 %	5.05 %	5.24 %

CITY OF MOSES LAKE, WASHINGTON
Schedule of Changes in the Employers' Net OPEB Liability and Related Ratios*
For the Year Ended December 31, 2018
Last 10 Fiscal Years*

	<u>2018</u>
Differences between expected and actual experience	\$ 268,752
Changes of assumptions	(259,086)
Benefit payments, including refunds of member contributions	<u>\$ (298,344)</u>
Net change in total OPEB liability	<u>\$ (288,678)</u>
Total OPEB liability - beginning	7,654,903
Total OPEB liability - ending	<u>7,366,225</u>
Covered payroll	-
Net OPEB liability as a percentage of covered payroll	- %

*Additional years' information will be displayed as it becomes available due to changes in GAAP implementation in 2018.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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