



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

# **Financial Statements Audit Report**

## **City of Mattawa**

**For the period January 1, 2018 through December 31, 2019**

**Published November 12, 2020**

**Report No. 1027234**





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

November 12, 2020

Mayor and City Council  
City of Mattawa  
Mattawa, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# CITY OF MATTAWA

■ 521 E. Government Road / P.O. Box 965 ■ Mattawa, Washington 99349 ■ 509.932.4047

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Mattawa January 1, 2018 through December 31, 2019

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

<b>Audit Period:</b> January 1, 2016 through December 31, 2017	<b>Report Ref. No.:</b> 1022783	<b>Finding Ref. No.:</b> 2017-001
<b>Finding Caption:</b> The City did not have adequate internal controls to ensure accurate and reliable financial reporting.		
<b>Background:</b> City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Government Auditing Standards, prescribed by the Comptroller General of United States, requires the auditor to communicate significant deficiencies as defined below in the Applicable Laws and Regulations section, as a finding.		
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>While the former city clerk in the audit period 2016-2017 was an experienced city clerk with training in the BARS Manual requirements, an error was made in preparation of the financial statement, the new city clerk has had and continues to received BARS Manual requirements and has implemented process to ensure that year-end financial statements are free from significant errors and are reviewed independently and also the review of BIAS in assisting with preparation of annual reports.</i>		

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Mattawa  
January 1, 2018 through December 31, 2019**

Mayor and City Council  
City of Mattawa  
Mattawa, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Mattawa, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 4, 2020.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 5 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

November 4, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Mattawa January 1, 2018 through December 31, 2019

Mayor and City Council  
City of Mattawa  
Mattawa, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Mattawa, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

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

#### Auditor's Responsibility

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

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

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

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

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

As described in Note 1, the City of Mattawa has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor’s *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Mattawa, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Mattawa, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Matters of Emphasis**

As discussed in Note 5 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

## **Other Matters**

### ***Supplementary and Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 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

November 4, 2020

## **FINANCIAL SECTION**

### **City of Mattawa January 1, 2018 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fund Resources and Uses Arising from Cash Transactions – 2018  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018  
Notes to the Financial Statements – 2019  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2019  
Schedule of Liabilities – 2018

**City of Mattawa**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense Fund</u>	<u>101 Street Fund</u>
<b>Beginning Cash and Investments</b>				
30810	Reserved	812,285	-	448,609
30880	Unreserved	3,267,086	800,181	-
388 / 588	Net Adjustments	19,104	-	-
<b>Revenues</b>				
310	Taxes	801,172	721,873	-
320	Licenses and Permits	22,238	22,238	-
330	Intergovernmental Revenues	386,826	207,843	178,983
340	Charges for Goods and Services	1,449,586	65,863	-
350	Fines and Penalties	13,938	816	-
360	Miscellaneous Revenues	107,227	28,862	5,243
Total Revenues:		<u>2,780,987</u>	<u>1,047,495</u>	<u>184,226</u>
<b>Expenditures</b>				
510	General Government	199,434	199,434	-
520	Public Safety	713,117	713,117	-
530	Utilities	1,322,429	-	-
540	Transportation	155,388	-	155,388
550	Natural and Economic Environment	53,758	53,758	-
560	Social Services	1,835	1,835	-
570	Culture and Recreation	75,298	75,298	-
Total Expenditures:		<u>2,521,259</u>	<u>1,043,442</u>	<u>155,388</u>
Excess (Deficiency) Revenues over Expenditures:		259,728	4,053	28,838
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	1,319	1,319	-
381, 382, 395, 398	Other Resources	2,500	-	-
Total Other Increases in Fund Resources:		<u>3,819</u>	<u>1,319</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	33,682	13,696	14,000
591-593, 599	Debt Service	152,678	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	581	581	-
581, 582	Other Uses	1,150	-	-
Total Other Decreases in Fund Resources:		<u>188,091</u>	<u>14,277</u>	<u>14,000</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>75,456</u></b>	<b><u>-8,905</u></b>	<b><u>14,838</u></b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	907,721	-	463,446
5088000	Unreserved	3,266,214	791,277	-
<b>Total Ending Cash and Investments</b>		<b><u>4,173,935</u></b>	<b><u>791,277</u></b>	<b><u>463,446</u></b>

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

**City of Mattawa**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

<b>140 Transportation Benefit District</b>	<b>350 Capital Improvement Fund</b>	<b>401 Water Operating Fund</b>	<b>405 Sewer Operating Fund</b>	<b>420 Solid Waste Fund</b>
123,858	79,650	79,334	80,834	-
-	-	1,151,214	1,209,414	106,277
-	-	9,552	9,552	-
59,569	19,730	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	539,603	528,169	315,951
-	-	7,264	4,105	1,753
-	1,112	16,449	54,182	1,379
<b>59,569</b>	<b>20,842</b>	<b>563,316</b>	<b>586,456</b>	<b>319,083</b>
-	-	-	-	-
-	-	-	-	-
-	-	465,985	535,881	320,563
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	465,985	535,881	320,563
<b>59,569</b>	<b>20,842</b>	<b>97,331</b>	<b>50,575</b>	<b>-1,480</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,100	1,400	-
-	-	-	-	-
-	-	1,100	1,400	-
-	-	-	-	-
-	866	5,120	-	-
-	-	70,069	82,609	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	575	575	-
-	866	75,764	83,184	-
<b>59,569</b>	<b>19,976</b>	<b>22,667</b>	<b>-31,209</b>	<b>-1,480</b>
183,427	99,627	79,334	81,887	-
-	-	1,183,435	1,186,704	104,798
<b>183,427</b>	<b>99,627</b>	<b>1,262,769</b>	<b>1,268,591</b>	<b>104,798</b>

The accompanying notes are an integral part of this statement.

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense Fund</u>	<u>101 Street Fund</u>
<b>Beginning Cash and Investments</b>				
30810	Reserved	707,661	1,438	425,597
30880	Unreserved	2,998,526	755,484	-
388 / 588	Net Adjustments	250	250	-
<b>Revenues</b>				
310	Taxes	766,015	685,256	-
320	Licenses and Permits	64,327	64,092	235
330	Intergovernmental Revenues	744,554	223,587	517,825
340	Charges for Goods and Services	1,344,048	50,234	-
350	Fines and Penalties	10,300	-	-
360	Miscellaneous Revenues	263,163	29,500	4,967
Total Revenues:		<u>3,192,406</u>	<u>1,052,669</u>	<u>523,027</u>
<b>Expenditures</b>				
510	General Government	175,524	175,524	-
520	Public Safety	673,977	673,977	-
530	Utilities	1,155,865	-	-
540	Transportation	115,457	-	115,457
550	Natural and Economic Environment	64,268	64,268	-
560	Social Services	11,383	11,383	-
570	Culture and Recreation	70,129	70,129	-
Total Expenditures:		<u>2,266,602</u>	<u>995,281</u>	<u>115,457</u>
Excess (Deficiency) Revenues over Expenditures:		925,804	57,388	407,570
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	1,942	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	1,451	164	-
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		<u>3,393</u>	<u>164</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	403,521	13,903	384,559
591-593, 599	Debt Service	152,103	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	639	639	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>556,263</u>	<u>14,542</u>	<u>384,559</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>372,934</u></b>	<b><u>43,010</u></b>	<b><u>23,011</u></b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	812,285	-	448,609
5088000	Unreserved	3,267,086	800,181	-
<b>Total Ending Cash and Investments</b>		<b><u>4,079,371</u></b>	<b><u>800,181</u></b>	<b><u>448,609</u></b>

The accompanying notes are an integral part of this statement.

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

<b>140 Transportation Benefit District</b>	<b>350 Capital Improvement Fund</b>	<b>401 Water Operating Fund</b>	<b>405 Sewer Operating Fund</b>	<b>420 Solid Waste Fund</b>
65,312	56,367	79,334	79,613	-
-	-	1,039,419	1,102,024	101,599
-	-	-	-	-
58,547	22,212	-	-	-
-	-	-	-	-
-	-	-	3,142	-
-	-	520,790	461,904	311,120
-	-	6,039	2,859	1,403
-	1,071	63,893	162,131	1,600
<b>58,547</b>	<b>23,283</b>	<b>590,722</b>	<b>630,035</b>	<b>314,123</b>
-	-	-	-	-
-	-	-	-	-
-	-	410,109	436,311	309,445
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	410,109	436,311	309,445
<b>58,547</b>	<b>23,283</b>	<b>180,613</b>	<b>193,725</b>	<b>4,677</b>
-	-	-	1,942	-
-	-	-	-	-
-	-	-	-	-
-	-	1,288	-	-
-	-	-	-	-
-	-	1,288	1,942	-
-	-	-	5,059	-
-	-	70,107	81,997	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	70,107	87,055	-
<b>58,547</b>	<b>23,283</b>	<b>111,794</b>	<b>108,612</b>	<b>4,677</b>
123,858	79,650	79,334	80,834	-
-	-	1,151,214	1,209,414	106,277
<b>123,858</b>	<b>79,650</b>	<b>1,230,547</b>	<b>1,290,248</b>	<b>106,277</b>

The accompanying notes are an integral part of this statement.

**City of Mattawa**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<u><b>Custodial</b></u>
308	Beginning Cash and Investments	19,105
388 & 588	Net Adjustments	(19,105)
310-390	Additions	-
510-590	Deductions	-
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	-

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

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

		<b>Custodial</b>
308	Beginning Cash and Investments	18,475
388 & 588	Net Adjustments	-
310-390	Additions	2,900
510-590	Deductions	2,270
	Net Increase (Decrease) in Cash and Investments:	630
508	Ending Cash and Investments	19,105

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

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 1 - Summary of Significant Accounting Policies**

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

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Custodial Funds

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

**B. Basis of Accounting and Measurement Focus**

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

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

**C. Cash and Investments**

See Note 4 - Deposits and Investments.

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 200 hours and is payable upon separation or retirement. Sick leave may be accumulated 960 hours. Upon separation or retirement employees are eligible to receive payment of ½ of their unused sick leave after 5 years of employment. Payments are recognized as expenditures when paid.

As of December 31, 2019, the City's compensated absence liability was \$44,238.

**F. Long-Term Debt**

See Note 3- Debt Service Requirements.

**G. Reserved Portion of Ending Cash and Investments**

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
101- Street Fund	\$463,446	Reserved due to the motor vehicle tax revenue and ordinance 31
140 - Transportation Benefit Fund	\$183,427	Reserved due to road improvements and ordinance 586
350 - Capital Improvement Fund	\$99,627	Reserved due to real estate excise tax revenue and ordinance 245
401 - Water Operating Fund	\$79,334	Reserved by bond covenant
405 - Sewer Operating Fund	\$81,887	Reserved by bond covenant

**Note 2 – Budget Compliance**

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

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

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

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

Fund/Department	Final Appropriated		
	Amounts	Actual Expenses	Variance
<b>001 - Current Expense Fund</b>			
Current Expense Fund	1,805,350	1,044,897	760,453
Police Vehicle Fund	13,086	12,819	267
<b>Total 001 - Current Expense Fund</b>	<b>1,818,436</b>	<b>1,057,716</b>	<b>760,720</b>
<b>101 - Street Fund</b>			
Street Fund	617,857	169,389	448,468
Multimodal Transportation Fund	39,644		39,644
<b>Total 101 - Street Fund</b>	<b>657,501</b>	<b>169,389</b>	<b>488,112</b>
<b>140 - Transportation Benefit District</b>	<b>178,858</b>		<b>178,858</b>
<b>350 - Capital Improvement Fund</b>	<b>91,046</b>	<b>866</b>	<b>90,180</b>
<b>401 - Water Operating Fund</b>			
Water Operating Fund	1,282,034	471,104	810,931
Water Bond Debt Fund	107,504	70,069	37,435
Water Bond Reserve Fund	79,334		79,334
Water Emergency Fund	61,132		61,132
Water Capital Improvement	165,019		165,019
Water Deposits		575	(575)
Water System Construction	90,007		90,007
<b>Total 401 - Water Operating Fund</b>	<b>1,785,030</b>	<b>541,747</b>	<b>1,243,283</b>
<b>405 - Sewer Operating Fund</b>			
Sewer Operating Fund	1,054,526	524,703	529,823
Sewer Debt Fund	429,457	55,345	374,112
Sewer Emergency Fund	59,379	38,443	20,936
Sewer Reserve Fund	81,983		81,983
Sewer Capital Improvement	315,669		315,669
Sewer Deposits		575	(575)
<b>Total 405 - Sewer Operating Fund</b>	<b>1,941,014</b>	<b>619,066</b>	<b>1,321,948</b>
<b>420 - Solid Waste Fund</b>	<b>420,269</b>	<b>320,561</b>	<b>99,708</b>
<b>635 - Customer Deposit Fund</b>	<b>21,929</b>	<b>19,105</b>	<b>2,824</b>

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

**Note 3 – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

Year	Principal	Interest	Total Debt Service
2020	115,856	36,289	152,145
2021	119,543	32,067	151,610
2022	123,378	27,694	151,072
2023	127,365	23,166	150,531
2024	131,511	18,476	149,987
2025-2029	424,631	26,445	451,076
2030-2034	9,622	1,416	11,037
2035-2037	5,008	271	5,279
<i>Totals</i>	\$ 1,056,913	\$ 165,824	\$ 1,222,737

**Note 4 – Deposits and Investments**

Investments are reported at fair value. Deposits and investments by type at December 31, 2019 are as follows:

Type of Deposit or Investment	(City/town/district's own deposits & investments	Deposits & investments held by the county as an agent for other local governments, individuals, or private organizations.	Total
Bank Deposits	1,218,688		1,218,688
LGIP	236,940		236,940
Government Bond	2,718,307		2,718,307
Totals	4,173,936		4,173,936

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

**Investments in the State Local Government Investment Pool (LGIP)**

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the city or its agent in the government's name.

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 5 - Other Disclosures**

*Construction Commitment*

In 2019, the City is entering into an agreement with the Department of Ecology of the State of Washington for the design & construction of improvements to their wastewater treatment facility including a loan for \$2,419,130, a forgivable loan of \$150,000 and a grant of \$1,137,870 for a total project cost of \$3,707,000.

This project has been delayed due to a fire at the wastewater treatment facility. It is anticipated that the project will resume in October 2020. The fire at the wastewater treatment facility caused approximately \$2 million in damages. The City is in the process of reconstructing the WWTF and anticipates the reconstruction to be completed in December 2020. None of the costs were covered by insurance.

*Pending Litigation*

Port District No. 3 of Grant County, Washington vs. Town of Mattawa (Case No. 09-2-00763-9). This is a pending case before the Grant County Superior Court arising out of a complaint by the Port District against the City for declaratory relief, injunction, writ of mandamus and breach of contract. The issues concern the Port's right to receive, and the City's obligation to provide conditionally or unconditionally, municipal water to the Port District property which lies outside of the City limits but within the City's urban growth boundary. The scheduling order in this case was suspended in February, 2010, and the clerk's office has filed several Notices of Dismissal for Want of Prosecution, to which Plaintiff's attorney has filed Status Reports asserting that the parties were pursuing settlement negotiations. The Status Report was filed on March 15, 2012. Plaintiff's complaint seeks undisclosed monetary damages for breach of contract. The City and the Port have engaged in settlement discussions and are currently pursuing an agreed dismissal of the action. The City will vigorously defend this lawsuit should it continue to trial.

*Subsequent Events*

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The City has issued an emergency proclamation due to COVID-19. The length of time these measures will be in place, and the full extent of the financial impact on the city is unknown at this time. They city is expecting to see a reduction in sales tax revenue and an increase in expenditures due to COVID-19. The city has qualified for the Coronavirus Relief Fund for Local Governments through the CARES Act. The award is for up to \$147,600 in costs incurred due to the public health emergency during the period of March 1, 2020 through October 31, 2020.

**Note 6 – Pension Plans**

A. State Sponsored Pension Plans

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

Substantially all city’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2/3 & LEOFF 2.

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

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

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

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

At June 30, 2019 (the measurement date of the plans), the city’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	21034.08	3,845,355,000	0.00293346%	112,802	
PERS 2/3	30940.61	971,340,000	0.00378832%	36,797	
LEOFF 2	15089.25	(2,316,693,000)	0.00818414%		(189,601)
			<i>Totals</i>	\$ 149,599	\$ (189,601)

**LEOFF Plan 2**

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

**Note 7 - Property Tax**

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

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

The city’s regular levy for the year 2019 was \$2.339814932 per \$1,000 on an assessed valuation of \$57,695,640 for a total regular levy of \$134,997.

**City of Mattawa**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 8 – Risk Management**

**Note to WCIA Member Financial Statements**

City of Mattawa 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 163 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 [1]. 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 insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

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

**Note 1 - Summary of Significant Accounting Policies**

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

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported

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

primarily through user charges.

**FIDUCIARY FUND TYPES:**

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

Custodial Funds

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

**B. Basis of Accounting and Measurement Focus**

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

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

**C. Cash and Investments**

See Note 3, *Deposits and Investments*.

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 200 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees are eligible to receive payment of 1/2 of their unused sick leave after 5 years of employment. Payments are recognized as expenditures when paid. As of the end of 2018, the City's compensated absence liability was \$37,677.

**F. Long-Term Debt**

See Note 5, *Debt Service Requirements*.

**G. Reserved Portion of Ending Cash and Investments**

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

Reservations of Ending Cash and Investments consist of:

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

Fund Name	Amount Reserved	Reason for Restriction
101 - Street Fund	448,609	Reserved due to the motor vehicle tax revenue and ordinance 31
140 - Transportation Benefit Fund	123,858	Reserved due to road improvements and ordinance 586
350 - Capital Improvement Fund	79,650	Reserved due to real estate excise tax revenue and ordinance 245
401 - Water Operating Fund	79,334	Reserved by bond covenant
405 - Sewer Operating Fund	80,834	Reserved by bond covenant

**Note 2 – Budget Compliance**

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
<b>001 - Current Expense Fund</b>			
Current Expense Fund	1,792,758	996,754	796,004
Police Vehicle Fund	15,369	12,819	2,550
Library Fund	1,448		1,448
<b>Total 001 - Current Expense Fund</b>	<b>1,809,575</b>	<b>1,009,573</b>	<b>800,002</b>
<b>101 - Street Fund</b>			
Street Fund	1,108,535	500,015	608,520
Multimodal Transportation Fund	21,625		21,625
<b>Total 101 - Street Fund</b>	<b>1,130,160</b>	<b>500,015</b>	<b>630,145</b>
<b>140 - Transportation Benefit District</b>	<b>118,000</b>		<b>118,000</b>
<b>350 - Capital Improvement Fund</b>	<b>62,850</b>		<b>62,850</b>
<b>401 - Water Operating Fund</b>			
Water Operating Fund	1,124,339	410,109	714,230
Water Bond Debt Fund	107,543	70,107	37,436
Water Bond Reserve Fund	79,334		79,334
Water Emergency Fund	59,500		59,500
Water Capital Improvement	112,900		112,900
Water System Construction	90,007		90,007
<b>Total 401 - Water Operating Fund</b>	<b>1,573,623</b>	<b>480,215</b>	<b>1,093,408</b>
<b>405 - Sewer Operating Fund</b>			
Sewer Operating Fund	994,431	464,037	530,394
Sewer Debt Fund	441,400	54,270	387,130
Sewer Emergency Fund	57,950		57,950
Sewer Reserve Fund	79,850		79,850
Sewer Capital Improvement	249,325	5,059	244,266
<b>Total 405 - Sewer Operating Fund</b>	<b>1,822,956</b>	<b>523,366</b>	<b>1,299,590</b>
<b>420 - Solid Waste Fund</b>	<b>427,903</b>	<b>309,445</b>	<b>118,458</b>

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

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

The variances are the result of residual ending balances included in the budget and not spending as much as estimated/budgeted for the year.

**Note 3 – Deposits and Investments**

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

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

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

Type of Investment	Agency's own investments	Investments held by the Agency as an agent for other local governments, individuals, or private organizations.	Total
LGIP (FMV)	231,544		231,544
Government Bond (Cost)	2,718,416		2,718,416
<i>Totals</i>	\$ 2,949,959	\$ -	\$ 2,949,959

**Note 4 - Property Taxes**

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

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

The City's regular levy for the year 2018 was \$2.2660742946 per \$1,000 on an assessed valuation of \$58,665,389 for a total regular levy of \$132,940.

**Note 5 – Debt Service Requirements**

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

The debt service requirements are as follows:

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

Year	Principal	Interest	Total Debt Service
2019	109,559	40,911	150,470
2020	114,414	35,524	149,938
2021	118,066	31,337	149,403
2022	123,378	27,695	151,072
2023	127,365	23,166	150,531
2024-2028	558,679	38,341	597,020
2029-2033	9,394	1,644	11,038
2034-2038	8,369	461	8,830
<i>Totals</i>	\$1,169,224	\$199,079	\$1,368,302

**Note 6 – Pension Plans**

Substantially all the City’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2/3 & LEOFF 2.

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

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

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

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

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

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	Net Pension Liability	Net Pension Asset
PERS 1 UAAL		4,466,034,000	0.002326%	103,871	
PERS 2/3	23,149.24	1,707,411,000	0.003000%	51,224	
LEOFF 2	11,723.68	(2,030,218,000)	0.006761%		(137,257)
<i>Totals</i>				\$ 155,095	\$ (137,257)

The City participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement,

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

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

**Note 7 – Risk Management**

The City is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2018, there are 207 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,922,394.

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

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

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

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December 1. The Interlocal

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

Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2018, were \$2,809,430.40.

**Note 8 - Other Disclosures**

**Construction Commitment**

In 2019, the City is entering into an agreement with the Department of Ecology of the State of Washington for the design & construction of improvements to their wastewater treatment facility including a loan for \$2,419,130, a forgivable loan of \$150,000 and a grant of \$1,137,870 for a total project cost of \$3,707,000.

**Pending Litigation**

Port District No. 3 of Grant County, Washington vs. Town of Mattawa (Case No. 09-2-00763-9). This is a pending case before the Grant County Superior Court arising out of a complaint by the Port District against the City for declaratory relief, injunction, writ of mandamus and breach of contract. The issues concern the Port's right to receive, and the City's obligation to provide conditionally or unconditionally, municipal water to the Port District property which lies outside of the City limits but within the City's urban growth boundary. The scheduling order in this case was suspended in February, 2010, and the clerk's office has filed several Notices of Dismissal for Want of Prosecution, to which Plaintiff's attorney has filed Status Reports asserting that the parties were pursuing settlement negotiations. The City's attorney has not received any direct communication from Plaintiff's counsel since the Status Report was filed on March 15, 2012. Plaintiff's complaint seeks undisclosed monetary damages for breach of contract. The City will vigorously defend this lawsuit should it continue to trial.

**City of Mattawa  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	DOE Planning Loan	6/1/2037	32,144	-	1,408	30,736
252.11	COLUMBIA BANK -- WATER	6/1/2027	528,407	-	49,931	478,476
252.11	COLUMBIA BANK -- SEWER	6/1/2027	400,726	-	37,866	362,860
263.88	PW 07 962-014	7/1/2027	207,947	-	23,105	184,842
259.12	COMPENSATED ABSENCES		37,677	6,561	-	44,238
264.30	PENSION LIABILITY		155,095	-	5,496	149,599
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,361,996</b>	<b>6,561</b>	<b>117,806</b>	<b>1,250,751</b>
<b>Total Liabilities:</b>			<b>1,361,996</b>	<b>6,561</b>	<b>117,806</b>	<b>1,250,751</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	DOE Planning Loan	6/1/2037	31,028	1,942	827	32,144
252.11	COLUMBIA BANK -- WATER	6/1/2027	576,417	-	48,010	528,407
252.11	COLUMBIA BANK -- SEWER	6/1/2027	437,135	-	36,409	400,726
263.88	PW 07 962-014	7/1/2027	231,052	-	23,105	207,947
259.12	COMPENSATED ABSENCES		41,550	-	3,873	37,677
264.30	PENSION LIABILITY		253,752	-	98,657	155,095
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,570,934</b>	<b>1,942</b>	<b>210,882</b>	<b>1,361,995</b>
<b>Total Liabilities:</b>			<b>1,570,934</b>	<b>1,942</b>	<b>210,882</b>	<b>1,361,995</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(564) 999-0950
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>