



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
City of Colville

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

Published December 14, 2020

Report No. 1027392





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

December 14, 2020

Mayor and City Council
City of Colville
Colville, Washington

Report on Financial Statements

Please find attached our report on the City of Colville'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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**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 Colville
January 1, 2019 through December 31, 2019**

Mayor and City Council
City of Colville
Colville, 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 Colville, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 12, 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 7 to the financial statements, during the year ended December 31, 2019 the City adopted new accounting guidance for the presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

In addition, as discussed in Note 10 to the financial statements, in February 2020 a state of emergency was declared that could have a negative effect on the agency.

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.

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 cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

November 12, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Colville January 1, 2019 through December 31, 2019

Mayor and City Council
City of Colville
Colville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Colville, for the year ended December 31, 2019, 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 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.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Colville 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 Colville, and its changes in cash and investments, for the year ended December 31, 2019, 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 Colville, as of December 31, 2019, or the changes in financial position or cash flows thereof for the year 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 7 to the financial statements, in 2019 the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

In addition, as discussed in Note 10 to the financial statements, in February 2020 a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 12, 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.

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

November 12, 2020

FINANCIAL SECTION

City of Colville January 1, 2019 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to the Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

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

		Total for All Funds (Memo Only)	001 CURRENT EXPENSE FUND	102 LIBRARY FUND	108 PARKING & BUSINESS IMPROVEMENT
Beginning Cash and Investments					
30810	Reserved	3,974,728	273,511	34,368	49,795
30880	Unreserved	8,012,039	2,119,569	5	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	4,476,103	4,359,962	-	-
320	Licenses and Permits	77,346	77,346	-	-
330	Intergovernmental Revenues	955,863	955,863	-	-
340	Charges for Goods and Services	4,723,900	247,211	4,723	-
350	Fines and Penalties	47,818	21,188	1,187	1,410
360	Miscellaneous Revenues	440,064	105,591	8,893	27,523
Total Revenues:		10,721,094	5,767,161	14,803	28,933
Expenditures					
510	General Government	761,494	749,446	-	-
520	Public Safety	1,682,253	1,679,085	-	-
530	Utilities	2,469,464	-	-	-
540	Transportation	1,001,969	955,003	-	15,057
550	Natural and Economic Environment	400,767	361,095	-	-
560	Social Services	37,603	37,603	-	-
570	Culture and Recreation	761,840	482,264	141,542	-
Total Expenditures:		7,115,390	4,264,496	141,542	15,057
Excess (Deficiency) Revenues over Expenditures:		3,605,704	1,502,665	(126,739)	13,876
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	233,051	35,277	130,850	96
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	54,062	52,820	430	-
381, 382, 395, 398	Other Resources	122,229	77,227	-	-
Total Other Increases in Fund Resources:		409,342	165,324	131,280	96
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,839,562	564,150	-	-
591-593, 599	Debt Service	776,850	47,515	-	-
597	Transfers-Out	233,051	196,387	-	1,387
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	39,663	39,176	352	-
581, 582	Other Uses	8,364	2,925	79	-
Total Other Decreases in Fund Resources:		2,897,490	850,153	431	1,387
Increase (Decrease) in Cash and Investments:		1,117,556	817,836	4,110	12,585
Ending Cash and Investments					
5081000	Reserved	4,317,874	620,625	38,480	62,381
5088000	Unreserved	8,786,461	2,590,297	5	-
Total Ending Cash and Investments		13,104,335	3,210,922	38,485	62,381

The accompanying notes are an integral part of this statement.

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

		112 HOTEL- MOTEL EXCISE FUND	124 DONATION FUND	140 DRUG INVESTIGATION FUND	203 LID 99-1 DEBT FUND SERVICE
Beginning Cash and Investments					
30810	Reserved	143,671	11,080	53,543	-
30880	Unreserved	-	38,972	-	65,696
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	116,141	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	526	84
360	Miscellaneous Revenues	3,351	28,939	5,541	1,973
Total Revenues:		119,492	28,939	6,067	2,057
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	2,715	453	-
530	Utilities	-	-	-	-
540	Transportation	-	31,909	-	-
550	Natural and Economic Environment	39,672	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	89,427	206	-	-
Total Expenditures:		129,099	34,830	453	-
Excess (Deficiency) Revenues over Expenditures:		(9,607)	(5,891)	5,614	2,057
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	35,277
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	35,277
Increase (Decrease) in Cash and Investments:		(9,607)	(5,891)	5,614	(33,220)
Ending Cash and Investments					
5081000	Reserved	134,063	12,249	59,157	-
5088000	Unreserved	-	31,913	-	32,476
Total Ending Cash and Investments		134,063	44,162	59,157	32,476

The accompanying notes are an integral part of this statement.

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

		401 WATER/SEWER FUND	506 FUTA FUND	701 DEAN VAAGEN MEMORIAL	702 SPENCER MEMORIAL PARK/REC
Beginning Cash and Investments					
30810	Reserved	469,690	-	100,000	249,070
30880	Unreserved	5,586,871	111,651	6,381	16,251
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	4,457,134	13,624	1,208	-
350	Fines and Penalties	23,423	-	-	-
360	Miscellaneous Revenues	198,109	-	2,487	6,188
Total Revenues:		4,678,666	13,624	3,695	6,188
Expenditures					
510	General Government	-	12,048	-	-
520	Public Safety	-	-	-	-
530	Utilities	2,469,464	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	127	-
Total Expenditures:		2,469,464	12,048	127	-
Excess (Deficiency) Revenues over Expenditures:		2,209,202	1,576	3,568	6,188
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	66,828	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	720	-	92	-
381, 382, 395, 398	Other Resources	45,002	-	-	-
Total Other Increases in Fund Resources:		112,550	-	92	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,275,412	-	-	-
591-593, 599	Debt Service	729,335	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	50	-	85	-
581, 582	Other Uses	360	-	-	-
Total Other Decreases in Fund Resources:		2,005,157	-	85	-
Increase (Decrease) in Cash and Investments:		316,595	1,576	3,575	6,188
Ending Cash and Investments					
5081000	Reserved	447,226	-	100,000	249,359
5088000	Unreserved	5,925,932	113,227	9,956	22,150
Total Ending Cash and Investments		6,373,158	113,227	109,956	271,509

The accompanying notes are an integral part of this statement.

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

		703 VINSON FUND
		<hr/>
Beginning Cash and Investments		
30810	Reserved	2,590,000
30880	Unreserved	66,643
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	51,469
Total Revenues:		<hr/> 51,469
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	48,274
Total Expenditures:		<hr/> 48,274
Excess (Deficiency) Revenues over Expenditures:		3,195
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> -
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	5,000
Total Other Decreases in Fund Resources:		<hr/> 5,000
Increase (Decrease) in Cash and Investments:		(1,805)
Ending Cash and Investments		
5081000	Reserved	2,594,334
5088000	Unreserved	60,505
Total Ending Cash and Investments		<hr/> 2,654,839

The accompanying notes are an integral part of this statement.

CITY OF COLVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 – Summary of Significant Accounting Policies

The City of Colville was incorporated on June 7, 1890 and operates under the laws of the state of Washington applicable to a Code City. The city is a general-purpose local government and provides police, fire, airport, water supply treatment distribution, sewage collection treatment, street maintenance, planning and zoning, library, parks and recreation, and general administrative services.

The City of Colville 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 (see note to 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 City of Colville. 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 City of Colville.

Debt Service Funds

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

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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.

Internal Service Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Colville 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 one year. Capital assets of the City of Colville are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 800 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6 – 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 City Council. When expenditures that meet restrictions are incurred, the City of Colville intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- 001- \$174 - **Current Expense** - Police Conf./Forfeiture –This was a cash confiscation/forfeiture and the funds are restricted.
- 001 - \$24,731 - **Current Expense** - Police Criminal Justice funds from the state. Use is restricted by the state and can only be spent on specific items designated by the state.
- 001 - \$33,669 – **Current Expense** – Marijuana Enforcement funds from the state. Use is restricted by the state and can only be spent on specific items designated by the state.
- 001 - \$11,113 – **Current Expense** – Reserved for Deposit – Fogle property. To be used only by Fogle’s on their commercial property.
- 101 - \$250,938 – **Street** – Hawthorne Carryover are funds for the completion only of the Hawthorne road project.
- 101 - \$300,000 – **Street** – Complete Streets Grant funds for the Astor Street/Heritage Court project.
- 102 - \$38,480 - **Library** – funds can only be spent in the Library Fund per Ordinance #817/#1547.
- 108 - \$62,381 - **Parking/Business** - These funds can only be spent in the Parking/Business Fund per Ordinance #850.
- 112 - \$134,064 - **Hotel/Motel** – restricted per legislation definition. These funds can only be spent on Hotel/Motel applications approved by the City Council.
- 124 - \$12,249 – **Donation Fund** – These funds only are restricted by a will.
- 140 - \$18,611 - **Drug Investigation** – These are restricted per state and federal requirements.
- 140 - \$40,545 – **DOJ Equitable Sharing** – These funds are restricted per agreement with Department of Homeland Security.
- 401 - \$436,980 - **Water/Sewer** - Debt reserves restricted by Bond/Loan requirements. These are not spent until the bond/loan is paid in full.
- 401 - \$10,246 – **Water/Sewer** – Sale Proceeds restricted for the payment of the Bowman/Hewes CERB repayment.
- 701 - \$100,000 - **Dean Vaagen Memorial** – These funds are restricted per will stating principal amount cannot be spent only invested. Ord. 915 & Ord. 1126.
- 702 - \$249,359 - **Spencer Memorial Fund** – These funds are restricted per will and Ordinance #995. The principal and interest can only be spent on specific items mentioned in the Ordinance.
- 703 - \$2,594,334 - **Vinson Fund** – These funds are restricted by a will stating principal amount cannot be spent only invested.

Note 2 – Budget Compliance

A. Budgets

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

Biennial 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense Fund	\$ 6,547,701	\$ 5,119,978	\$ 1,427,723
Library Fund	\$ 165,785	\$ 141,542	\$ 24,243
Parking Fund	\$ 24,792	\$ 16,443	\$ 8,349
Hotel/Motel Fund	\$ 159,553	\$ 129,100	\$ 30,453
Donation Fund	\$ 91,430	\$ 34,829	\$ 56,601
Drug Investigation	\$ -0-	\$ 453	\$ (453)
LID 99 Fund	\$ 70,554	\$ 35,277	\$ 35,277
Water/Sewer Fund	\$ 5,465,704	\$ 4,474,210	\$ 991,494
FUTA Fund	\$ 35,000	\$ 12,048	\$ 22,952
Dean Vaagen Fund	\$ 3,600	\$ 127	\$ 3,473
Spencer Fund	\$ -0-	\$ -0-	\$ -0-
Vinson Fund	\$ 118,284	\$ 48,273	\$ 70,011

For purposes of the 2019 annual report, the Street Fund #101 and Debt Service Fund #201 have been rolled into the Current Expense Fund #001. An interfund transfer of \$47,434 between Fund #101 and #201 are not reflective in the above table. The Storm Water Utility Fund #403 and the USDA/Reserve Fund #405 have been rolled into the Water/Sewer Fund #401. In addition, for all funds Custodial Activities and Other Uses are not reflected in the above table.

Budgeted amounts are authorized to be transferred between departments within any fund and object classes within departments by the City Clerk and the City Treasurer; 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 – Deposits and Investments

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

<u>Type of Investment</u>	<u>City of Colville's own investments</u>	Deposits and investments held by the city as a custodian for other local governments, individuals or private organizations.	Total
Bank Deposits	\$ <u>93,287.58</u>	_____	\$ <u>93,287.58</u>

U.S. Government Securities	\$ <u>2,591,631.37</u>	\$ _____	\$ <u>2,591,631.37</u>
L.G.I.P.	\$ <u>10,419,416.05</u>	\$ _____	\$ <u>10,419,416.05</u>
Total	\$ <u>13,104,335.00</u>	\$ _____	\$ <u>13,104,335.00</u>

It is the city's policy to invest all temporary cash surpluses. The interest from the LGIP investments are prorated to the various funds. All of the interest from the U.S. Government Securities goes to the Vinson Fund.

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

The City of Colville 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.

Note 4 – 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 of Colville. 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 \$2.936803 per \$1,000 on an assessed valuation of \$392,796,251 for a total regular levy of \$1,153,565.51.

Note 5 – Interfund Loans

The following table displays interfund loan activity during 2019:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2019</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2019</u>
Vinson Fund #703	Water Fund #401	\$ <u>20,000</u>	\$ _____	\$ <u>5,000</u>	\$ <u>15,000</u>
	TOTALS	\$ <u>20,000</u>	\$ _____	\$ <u>5,000</u>	\$ <u>15,000</u>

Note 6 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Colville 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:

Year	PRINCIPAL	INTEREST	Total Debt
2020	726,173	140,149	866,322
2021	609,436	130,823	740,260
2022	611,604	125,900	737,504
2023	614,036	120,713	734,749
2024	616,567	115,426	731,993
2025-2029	2,305,394	496,353	2,801,748
2030-2034	913,334	365,641	1,278,975
2035-2039	588,264	245,324	833,589
2040-2044	570,880	126,889	697,769
2045-2049	274,299	22,901	297,200
Totals	\$7,829,989	\$1,890,120	\$9,720,108

The above principal total does not include the compensated absences, pension liabilities, OPEB liabilities, or an additional payment due to a change in the principal payment amount for CERB of \$4,531. It does include the loan fee amounts of \$22,790 (Reservoir #3 Replacement) and \$6,858 (Garden Homes), as well as an additional principal payment of \$22,867 (Garden Homes). In 2019 some of the debt schedules were taken over by the Department of Health and the City did not receive new amortization schedules after payments were made in 2019.

Note 7 – OPEB Plans

During the year ended December 31, 2019, the City adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Colville as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had two members, both retirees. As of December 31, 2019, the City's total OPEB liability was \$840,057, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City of Colville paid \$16,780.72 in benefits.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Colville full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems

(DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement Systems (PERS), Law Enforcement Officer's and Fire Fighter's Retirement System (LEOFF).

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

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

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

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

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

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

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	5,307	% 0.000740	\$ 28,456
PERS 1 UAAL	76,539	0.010674	410,453
PERS 2/3	112,529	0.013778	133,831
LEOFF 1		0.004613	(91,181)
LEOFF 2	33,537	0.018190	(421,406)
VFFRPF	720	0.360000	(246,537)

LEOFF Plan 1

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

LEOFF Plan 2

The City of Colville 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 9 – Risk Management

The City of Colville is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2019, there are 191 members in the program.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. 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 towards 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 \$1,910,871.00.

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2019, were \$2,687,104.78.

The City of Colville is self-insured, for unemployment compensation. The unemployment contribution fund was established before 1985. The State of Washington Employment Security Department administers claims and bills the City of Colville for any claims. As per Schedule 21, the City had claims totaling \$12,048.33 for the 2019 year.

Note 10 - Other Disclosures

- For purposes of the 2019 annual report, the Street Fund #101 and Debt Service Fund #201 have been rolled into the Current Expense Fund #001. The Storm Water Utility Fund #403 and the USDA/Reserve Fund #405 have been rolled into the Water/Sewer Fund #401.
- In March 2018, the City authorized by Ordinance No. 1609 N.S. an interfund loan between the Water/Sewer department and the Vinson Fund in the amount of \$20,000, to include interest which is set at the average annual LGIP (Local Governmental Investment Pool) rate each year, for a period not to exceed four (4) years. This interfund loan was to purchase statues. The first interfund loan payment is due to be made March 2019.
- Construction Commitment

The City of Colville has active construction projects as of December 31, 2019. The projects include the following:

Project	Spent to Date	Remaining Commitment	Financing Fund
Silke Booster Station Improvements	\$165,140.33	\$49,305.59	Water/Sewer
Heritage Court-Main Street Crossing	\$40,950.10	\$6,553.52	Street
Heritage Court Final Design	\$22,800.00	\$5,160.00	Current Expense
Mason Heights Sewer	\$40,642.48	\$25,748.19	Water/Sewer
WWTF Solar Array	\$18,830.00	\$624,594.01	Water/Sewer
Evergreen Water Main Loop	\$52,082.00	\$2,380.00	Water/Sewer
Railroad St. Preservation	\$51,338.00	\$751,974.75	Street
Keller House Painting	\$10,871.96	\$22,602.40	Current Expense
	\$402,654.87	\$1,488,318.46	

(Of the committed balance of \$1,488,318.46, the City of Colville will be required to raise \$.00 in future financing.)

- 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.
- Effective March 20, 2020, limited contact between staff and the public was put in place within the city

offices. The doors to the public buildings were locked. Many of the staff worked from their homes with laptops and many of the phones were forwarded. These measures were in place until the Governor of the state of Washington canceled stay at home declaration.

The full extent of the financial impact on the City is unknown at this time.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	2015 - US Bank Cat Loader	8/11/2020	125,049	-	9,144	115,905
263.51	2015 - US Bank-Street Sweeper	8/25/2019	36,315	-	36,315	-
263.85	2005-PWFT #4 (PW-04-691-PRE-121)	6/1/2024	276,316	-	46,053	230,263
Total General Obligation Debt/Liabilities:			437,680	-	91,512	346,168
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2003 Sewer Revenue Bonds	6/27/2043	747,884	-	16,799	731,085
252.11	2007A Sewer Revenue Bonds	2/6/2047	937,090	-	17,349	919,741
252.11	2007B Sewer Revenue Bonds	2/6/2047	725,223	-	13,427	711,796
263.86	2016 Reservoir 3 Replacement (D16-952-044)	10/1/2035	1,393,970	-	83,339	1,310,631
263.84	2008-SRP/WWTF #L0500001	11/1/2027	2,584,616	-	287,179	2,297,437
263.86	2009-DM09-952-035	10/1/2029	1,211,913	-	110,174	1,101,739
259.12	Compensated Absences		202,573	165,073	162,143	205,503
263.84	2007 - CERB Bowman #2005-171	1/1/2027	153,609	-	20,928	132,681
263.86	2013-DM12-952-118 Garden Homes	10/1/2038	270,959	-	40,231	230,728
264.30	Pension Liabilities		939,896	-	367,156	572,740
264.40	OPEB Liabilities		-	840,057	-	840,057
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,167,733	1,005,130	1,118,725	9,054,138
Total Liabilities:			9,605,413	1,005,130	1,210,237	9,400,306

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov