



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Granger

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

Published April 8, 2021

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

April 8, 2021

Mayor and City Council
City of Granger
Granger, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Granger

January 1, 2018 through December 31, 2019

2019-001 The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate reporting.

Background

City management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. 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, require the auditor to communicate significant deficiencies, as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

We identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency:

- The City did not perform an adequate reconciliation of its bank statement activity on a monthly basis for fiscal years 2018 and 2019. The City only reconciled deposits and withdrawals between bank statements and did not appropriately reconcile the bank activity to the general ledger. This process did not provide for an accurate reconciling of the ending cash and investment activity to verify that all cash and investments at year-end was recorded properly on the financial statements.
- The City did not retain all necessary evidence and support for 2018 and 2019 reconciliations.
- The City did not establish a secondary review process to detect and correct errors before submitting the annual financial report for audit.

This issue was reported as a finding in the prior audit.

Cause of Condition

Although City staff reconcile individual bank statements each month, staff does not reconcile all bank activity for all accounts to the general ledger and have not received adequate training on how to prepare the required Summary Schedule of Bank Reconciliation (Schedule 6), which would assist the City in performing the end of year reconciliation. Further, the City does not retain all monthly reconciliation documentation that could assist them in reconciling year-end balances.

Effect of Condition

As a result of the deficiencies in internal controls, we identified the following errors:

- We could not fully reconcile the City's ending cash and investments recorded on the financial statements to the bank activity. We identified the following differences:
 - 2018 ending cash and investment balance appears to be overstated by \$26,614
 - 2019 ending cash and investment balance appears to be overstated by \$15,458
- The City did not submit accurate Schedules of Liabilities for audit. The 2018 and 2019 schedules contained the following errors:
 - 2018 pension liabilities were overstated by \$123,799
 - 2019 reported \$206,809 of debt issued during the year in the beginning balance instead of as an addition

In addition, we identified other less significant errors on the financial statements, notes and schedules.

Recommendation

We recommend the City establish and follow effective internal controls over preparation of the financial statements, which should include:

- Developing a monthly cash and investment reconciliation process for all activity, including outstanding warrants, manual checks and deposits in transit, from its bank balance to its general ledger. The City should retain these reconciliations.

- Independently reviewing monthly cash and investment reconciliation, the final financial statements, schedules, and notes for accuracy and reasonableness.
- Presenting the financial statements, required schedules and notes to the financial statements accurately, completely, and in accordance with the BARS manual.

City's Response

The City has and continues to work diligently at correcting errors within our accounting system which will help in reconciling the bank activities to the general ledger. The City did have the majority of the paperwork where monthly reconciliation were tied, however because of the error within our system, they didn't show a correct reconciliation to the general ledger.

The City has put in place a check-off list of all the schedules that will be signed off by the City Clerk Treasurer or the Mayor, this should help with detection of errors prior to submitting the Annual Financial Report.

The 2018 and 2019 ending and investment balances are due to transactions made incorrectly. The City has discovered and corrected the majority of the errors and are in the process of making sure the errors left are correctly adjusted.

The 2018 and 2019 pension liabilities were corrected during the audit, mistakes made were due to an excel percentages mistake. The City will be watching this closely in the future.

Auditor's Remarks

We appreciate the City's commitment to resolving the issues identified above. We will follow up on the status of the finding during the next regularly scheduled audit.

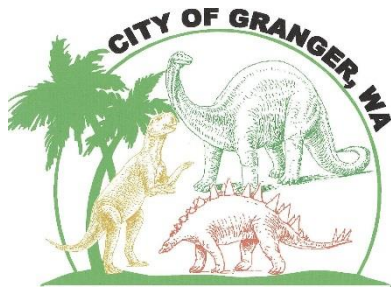
Applicable Laws and Regulations

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

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

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

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Granger

January 1, 2018 through December 31, 2019

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

Audit Period: 01/01/2016 – 12/31/2017	Report Ref. No.: 1023618	Finding Ref. No.: 2017-001
Finding Caption: <p>The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and timely reporting.</p>		
Background: <p>The City did not perform an adequate reconciliation of its ending cash and investment balances. The City only reconciled deposits and withdrawals between the bank statements and general ledger instead of reconciling all monthly cash and investment activity, including ending balances and outstanding transactions, to the general ledger activity.</p> <p>City staff responsible for financial statement preparation lacked technical knowledge and experience necessary to prepare the financial statements and supplementary schedules accurately and in accordance with the <i>Budgeting, Accounting, and Reporting System (BARS)</i> manual.</p> <p>The City did not establish a secondary review process to detect and correct errors before submitting the annual financial report for audit.</p>		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <p><i>The City has gained knowledge as to the reconciliation process to the general ledger activity, however there are some items that still haven't been mastered as to how to determine the error without a lot of research.</i></p> <p><i>The City staff works diligently on trying to prepare the financial statements correctly. Classes have been taken by staff on the budgeting, accounting and reporting systems and the city staff relies heavily on the help desk and occasionally the local auditor.</i></p> <p><i>We have since established a secondary review process; Deputy Clerk prepares the annual report with each schedule being reviewed by the City Clerk. A sign off form has been drafted which includes the signature of both the Deputy Clerk and the City Clerk to ensure that all the schedules and notes have been reviewed.</i></p>		

INDEPENDENT AUDITOR'S REPORT

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 Granger January 1, 2018 through December 31, 2019

Mayor and City Council
City of Granger
Granger, 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 Granger, 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 April 1, 2021.

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 10 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

April 1, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Granger January 1, 2018 through December 31, 2019

Mayor and City Council
City of Granger
Granger, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Granger, 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 16.

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 Granger 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 Granger, 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 Granger, 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.

Matter of Emphasis

As discussed in Note 10 to the 2019 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

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 April 1, 2021 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 style with a large, stylized "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA

April 1, 2021

FINANCIAL SECTION

City of Granger 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
Notes to the Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019
Schedule of Liabilities – 2018

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

		Total for All Funds (Memo Only)	001 CURRENT EXPENSE	100 STREETS	120 EMS FIRE DEPARTMENT
Beginning Cash and Investments					
30810	Reserved	819,458	72,171	-	46,640
30880	Unreserved	1,076,419	42,176	77,545	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,216,005	937,382	40,607	33,759
320	Licenses and Permits	77,506	77,106	-	-
330	Intergovernmental Revenues	346,551	190,117	147,865	-
340	Charges for Goods and Services	1,433,157	72,721	5,403	-
350	Fines and Penalties	66,207	31,361	-	-
360	Miscellaneous Revenues	251,986	58,396	1,990	811
Total Revenues:		3,391,412	1,367,083	195,865	34,570
Expenditures					
510	General Government	518,412	518,412	-	-
520	Public Safety	889,854	778,958	-	25,396
530	Utilities	1,183,239	-	-	-
540	Transportation	166,938	-	166,938	-
550	Natural and Economic Environment	147,254	145,106	-	-
560	Social Services	539	539	-	-
570	Culture and Recreation	103,845	94,751	-	-
Total Expenditures:		3,010,081	1,537,766	166,938	25,396
Excess (Deficiency) Revenues over Expenditures:		381,331	(170,683)	28,927	9,174
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	206,809	51,863	-	-
397	Transfers-In	101,000	81,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	38,299	38,299	-	-
381, 382, 395, 398	Other Resources	225,800	-	-	-
Total Other Increases in Fund Resources:		571,908	171,162	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	419,226	3,041	64,631	-
591-593, 599	Debt Service	147,283	-	-	-
597	Transfers-Out	101,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	35,940	35,940	-	-
581, 582	Other Uses	225,700	-	-	-
Total Other Decreases in Fund Resources:		929,149	38,981	64,631	-
Increase (Decrease) in Cash and Investments:		24,090	(38,502)	(35,704)	9,174
Ending Cash and Investments					
5081000	Reserved	847,633	22,761	-	55,815
5088000	Unreserved	1,072,336	53,088	41,845	-
Total Ending Cash and Investments		1,919,969	75,849	41,845	55,815

The accompanying notes are an integral part of this statement.

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

		135 CRIMINAL JUSTICE FUND	139 PUBLIC SAFETY FUND	156 EMS TRAUMA CARE GRANT	175 FESTIVAL/FLOA T FUND
Beginning Cash and Investments					
30810	Reserved	21,874	40,347	2,527	23,792
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	62,137	113,934	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	5,988	-	1,266	-
340	Charges for Goods and Services	-	11,297	-	420
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	330	556	-	1,463
Total Revenues:		68,455	125,787	1,266	1,883
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	51,980	33,520	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	9,094
Total Expenditures:		51,980	33,520	-	9,094
Excess (Deficiency) Revenues over Expenditures:		16,475	92,267	1,266	(7,211)
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	-	8,000	502	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	81,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	89,000	502	-
Increase (Decrease) in Cash and Investments:		16,475	3,267	764	(7,211)
Ending Cash and Investments					
5081000	Reserved	38,347	43,614	3,291	16,581
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		38,347	43,614	3,291	16,581

The accompanying notes are an integral part of this statement.

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

		190 FED. HOUSING REHAB GRANT	335 CAPITAL IMPROVEMENT PLAN	350 FIRE DEPT. RES	410 WATER/SEWER
Beginning Cash and Investments					
30810	Reserved	40,463	140,759	68,904	277,638
30880	Unreserved	-	-	-	776,265
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	28,186	-	-
320	Licenses and Permits	-	-	400	-
330	Intergovernmental Revenues	1,315	-	-	-
340	Charges for Goods and Services	-	-	-	860,155
350	Fines and Penalties	-	-	-	33,520
360	Miscellaneous Revenues	817	1,929	1,279	179,601
Total Revenues:		2,132	30,115	1,679	1,073,276
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	727,130
540	Transportation	-	-	-	-
550	Natural and Economic Environment	2,148	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,148	-	-	727,130
Excess (Deficiency) Revenues over Expenditures:		(16)	30,115	1,679	346,146
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	154,946
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	115,800
Total Other Increases in Fund Resources:		-	-	-	270,746
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	340,012
591-593, 599	Debt Service	-	-	-	145,156
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	115,700
Total Other Decreases in Fund Resources:		-	-	-	600,868
Increase (Decrease) in Cash and Investments:		(16)	30,115	1,679	16,024
Ending Cash and Investments					
5081000	Reserved	40,447	170,873	70,583	280,462
5088000	Unreserved	-	-	-	789,463
Total Ending Cash and Investments		40,447	170,873	70,583	1,069,925

The accompanying notes are an integral part of this statement.

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

		430 GARBAGE	450 IRRIGATION FUND
Beginning Cash and Investments			
30810	Reserved	84,343	-
30880	Unreserved	178,103	2,330
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	277,404	205,757
350	Fines and Penalties	-	1,326
360	Miscellaneous Revenues	4,691	123
Total Revenues:		282,095	207,206
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	278,299	177,810
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		278,299	177,810
Excess (Deficiency) Revenues over Expenditures:		3,796	29,396
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	20,000	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	110,000
Total Other Increases in Fund Resources:		20,000	110,000
Other Decreases in Fund Resources			
594-595	Capital Expenditures	1,520	1,520
591-593, 599	Debt Service	-	2,127
597	Transfers-Out	20,000	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	110,000
Total Other Decreases in Fund Resources:		21,520	113,647
Increase (Decrease) in Cash and Investments:		2,276	25,749
Ending Cash and Investments			
5081000	Reserved	104,859	-
5088000	Unreserved	159,860	28,080
Total Ending Cash and Investments		264,719	28,080

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 CURRENT EXPENSE	100 STREETS	120 EMS FIRE DEPARTMENT
Beginning Cash and Investments					
30810	Reserved	774,662	78,318	-	38,518
30880	Unreserved	1,332,795	148,330	104,206	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,211,537	906,732	80,979	30,182
320	Licenses and Permits	53,350	52,762	-	-
330	Intergovernmental Revenues	350,157	221,473	120,020	-
340	Charges for Goods and Services	1,338,302	43,912	-	-
350	Fines and Penalties	68,174	33,571	-	-
360	Miscellaneous Revenues	89,072	48,006	915	563
Total Revenues:		3,110,592	1,306,456	201,914	30,745
Expenditures					
510	General Government	479,637	479,637	-	-
520	Public Safety	875,333	785,773	-	22,623
530	Utilities	1,103,565	-	-	-
540	Transportation	191,439	-	191,439	-
550	Natural and Economic Environment	129,440	129,242	-	-
560	Social Services	1,263	1,263	-	-
570	Culture and Recreation	129,041	120,511	-	-
Total Expenditures:		2,909,718	1,516,426	191,439	22,623
Excess (Deficiency) Revenues over Expenditures:		200,874	(209,970)	10,475	8,122
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	107,480	104,480	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	48,159	42,959	-	-
381, 382, 395, 398	Other Resources	198,000	-	-	-
Total Other Increases in Fund Resources:		353,639	147,439	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	268,602	9,687	37,136	-
591-593, 599	Debt Service	147,399	-	-	-
597	Transfers-Out	107,480	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	44,901	40,087	-	-
581, 582	Other Uses	198,000	-	-	-
Total Other Decreases in Fund Resources:		766,382	49,774	37,136	-
Increase (Decrease) in Cash and Investments:		(211,869)	(112,305)	(26,661)	8,122
Ending Cash and Investments					
5081000	Reserved	819,458	72,171	-	46,640
5088000	Unreserved	1,076,419	42,176	77,545	-
Total Ending Cash and Investments		1,895,877	114,347	77,545	46,640

The accompanying notes are an integral part of this statement.

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

		135 CRIMINAL JUSTICE FUND	139 PUBLIC SAFETY FUND	156 EMS TRAUMA CARE GRANT	175 FESTIVAL/FLOA T FUND
Beginning Cash and Investments					
30810	Reserved	11,501	12,268	1,813	30,122
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	60,190	109,677	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	5,802	-	1,222	-
340	Charges for Goods and Services	-	-	-	465
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	76	844	-	1,734
Total Revenues:		66,068	110,521	1,222	2,199
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	55,695	11,242	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	8,530
Total Expenditures:		55,695	11,242	-	8,530
Excess (Deficiency) Revenues over Expenditures:		10,373	99,279	1,222	(6,331)
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	-	-	508	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	71,200	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	71,200	508	-
Increase (Decrease) in Cash and Investments:		10,373	28,079	714	(6,331)
Ending Cash and Investments					
5081000	Reserved	21,874	40,347	2,527	23,792
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		21,874	40,347	2,527	23,792

The accompanying notes are an integral part of this statement.

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

		190 FED. HOUSING REHAB GRANT	335 CAPITAL IMPROVEMENT PLAN	350 FIRE DEPT. RES	410 WATER/SEWER
Beginning Cash and Investments					
30810	Reserved	53,354	115,264	62,255	288,014
30880	Unreserved	-	-	-	863,641
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	23,777	-	-
320	Licenses and Permits	-	-	588	-
330	Intergovernmental Revenues	1,640	-	-	-
340	Charges for Goods and Services	-	-	-	844,240
350	Fines and Penalties	-	-	-	33,649
360	Miscellaneous Revenues	667	1,718	6,061	23,867
Total Revenues:		2,307	25,495	6,649	901,756
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	634,903
540	Transportation	-	-	-	-
550	Natural and Economic Environment	198	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		198	-	-	634,903
Excess (Deficiency) Revenues over Expenditures:		2,109	25,495	6,649	266,853
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	3,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	5,200
381, 382, 395, 398	Other Resources	-	-	-	99,000
Total Other Increases in Fund Resources:		-	-	-	107,200
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	201,557
591-593, 599	Debt Service	-	-	-	145,157
597	Transfers-Out	15,000	-	-	21,280
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	4,814
581, 582	Other Uses	-	-	-	99,000
Total Other Decreases in Fund Resources:		15,000	-	-	471,808
Increase (Decrease) in Cash and Investments:		(12,891)	25,495	6,649	(97,755)
Ending Cash and Investments					
5081000	Reserved	40,463	140,759	68,904	277,638
5088000	Unreserved	-	-	-	776,265
Total Ending Cash and Investments		40,463	140,759	68,904	1,053,903

The accompanying notes are an integral part of this statement.

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

		430 GARBAGE	450 IRRIGATION FUND
Beginning Cash and Investments			
30810	Reserved	83,235	-
30880	Unreserved	195,679	20,939
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	272,240	177,445
350	Fines and Penalties	-	954
360	Miscellaneous Revenues	4,237	384
Total Revenues:		276,477	178,783
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	275,126	193,536
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		275,126	193,536
Excess (Deficiency) Revenues over Expenditures:		1,351	(14,753)
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	-	99,000
Total Other Increases in Fund Resources:		-	99,000
Other Decreases in Fund Resources			
594-595	Capital Expenditures	18,102	1,612
591-593, 599	Debt Service	-	2,242
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	99,000
Total Other Decreases in Fund Resources:		18,102	102,854
Increase (Decrease) in Cash and Investments:		(16,751)	(18,607)
Ending Cash and Investments			
5081000	Reserved	84,343	-
5088000	Unreserved	178,103	2,330
Total Ending Cash and Investments		262,446	2,330

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	75,523	68,856	6,667
388 & 588	Net Adjustments	-	-	-
310-390	Additions	78,456	619	77,837
510-590	Deductions	78,917	-	78,917
	Net Increase (Decrease) in Cash and Investments:	(461)	619	(1,080)
508	Ending Cash and Investments	75,062	69,475	5,587

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	74,259	67,925	6,334
388 & 588	Net Adjustments	-	-	-
310-390	Additions	87,524	931	86,593
510-590	Deductions	86,259	-	86,259
	Net Increase (Decrease) in Cash and Investments:	1,265	931	334
508	Ending Cash and Investments	75,523	68,856	6,667

The accompanying notes are an integral part of this statement.

CITY OF GRANGER

NOTES TO FINANCIAL STATEMENTS

January 1, 2019 through December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Granger was incorporated on October 1, 1909 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 of Granger is a general purpose local government and provides public safety, fire protection, street improvements, parks, general administrative services, water-sewer-irrigation, and garbage services. In addition, the City of Granger owns and operates a sewer system.

The City of Granger 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. The 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.
- 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 City of Granger 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 City of Granger'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 (Current Expense)

This fund is the primary operating fund of the City of Granger. 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 Granger.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

This fund reports all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Custodial Funds

This fund is used to account assets that City of Granger 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 of Granger 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 \$5,000.00 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 35 days depending on the years of service and is payable upon separation or retirement.

Sick leave may be accumulated up to 640 hours. Upon retirement, employees may receive payment for unused sick leave depending on their hire dates. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 3, 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 of Granger's legislative body by ordinance. When expenditures that meet restrictions are incurred, the City of Granger intends to use reserved resources first before using unreserved amounts.

Reservation of Ending Cash and Investments consist of:

120 EMS Fire Department Fund: Revenues and expenditures are for an ongoing method to promote the funding of emergency medical services by the Granger Fire and Police per Ordinance 740. The Ending Fund Balance of \$55,814.96 is reserved. The fund stands alone.

135 Criminal Justice Fund: Revenues and expenditures are an ongoing method to promote the funding of criminal justice projects. The Ending Fund Balance of \$38,347.44 is reserved. The fund stands alone.

137 Crime Prevention Fund: Revenues and expenditures are for an ongoing method to combat criminal activities per Granger Municipal Code Ch. 1.18 and 3.90. The Ending Fund Balance of \$22,760.99 is reserved. The fund is rolled into Current Expense Fund 001 for reporting.

139 Public Safety Fund: Revenues are derived from the three-tenths of one percent local sales and use tax within Yakima County. Expenditures shall be for criminal justice and public safety purposes. The Ending Fund Balance of \$43,614.40 is reserved. The fund stands alone.

156 EMS Trauma Care Grant: Revenues and Expenditures shall be used for EMS and Fire Department purposes per Ordinance 1214. The Ending Fund Balance of \$3,291.41 is reserved. The fund stands alone.

175 Festival/Float Fund: Revenues and expenditures are in support of the city community festival program. The Ending Fund Balance of \$16,581.14 is reserved. The fund stands alone.

190 Federal Housing Rehab Fund: This is a special fund created for the administration of the Federal Housing Rehab grant. The Ending Fund Balance of \$40,446.81 is reserved. The fund stands alone.

335 Capital Improvement Plan: Revenues are derived from the Real Estate Excise Tax (REET). Expenditures shall be solely for local capital projects identified in RCW 82.46.010 which are identified in the capital facilities plan element of the city's Growth Management Act Comprehensive Plan. The ending balance of \$170,873.02 is reserved. The fund stands alone.

350 Fire Dept. Reserve Fund: This fund was previously shown as a 100 Special Revenue Fund. Since this Fund is a Capital Projects Fund, the City changed the Fund Number from 150 to 350. Revenues and expenditures are for an ongoing method for purchasing fire-fighting equipment per Ordinance 1248. The Ending Fund Balance is \$70,582.89. The fund stands alone.

440 Consumer Deposit Fund: A Trust Fund to hold water service deposits until renter ceases service, the deposit shall be refunded, less any unpaid account charges per Granger Municipal Code 13.24.140 C. The Ending Fund Balance of \$41,746.92 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

451 Garbage Reserve Fund: Ordinance 567 established this reserve fund for the purchase of garbage disposal/collection equipment and the monies in this fund shall not be expended for any other purpose. The Ending Fund Balance of \$104,859.01 is reserved. The Fund is rolled in the Garbage Fund 430 for reporting.

480 Water-Sewer Reserve Fund: Revenues and expenditures shall support the operation and improvements of the water-sewer fund as deemed by the Granger City Council per Granger Municipal Code 3.110.010. The Ending Fund Balance of \$238,715.21 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

630 Court Fund: Municipal Court revenues and expenditures are outlined in the Granger Municipal Code. Ch. 2.36. The Ending Fund Balance of \$5,587.22 is reserved. The Fund stands alone.

Note 2 – Budget Compliance

A. Budgets

The City of Granger adopts annual appropriated budgets for the Parks and Recreation, Street, EMS, Criminal Justice, Crime Prevention, Public Safety, EMS Trauma Care, Festival/Float, General Reserve, Federal Housing Rehabilitation, Capital Improvements, Fire Dept. Reserve, Water/Sewer, Garbage, Consumer Deposit, Irrigation, Garbage Reserve, Water-Sewer Reserve, and Bell Memorial funds. These budgets are appropriated at the fund level except the General (Current Expense) Fund, where budget is adopted at the department 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance	Fund Rolled Into
001 General Fund	\$1,593,787.00	\$1,532,478.20	\$61,308.80	
002 Parks & Recreation	\$9,652.00	\$7,416.61	\$2,235.39	001
100 Street Fund	\$253,398.00	\$231,567.03	\$21,830.97	
120 EMS Fund	\$30,200.00	\$25,395.94	\$4,804.06	
135 Criminal Justice Fund	\$63,617.00	\$51,979.57	\$11,637.43	
137 Crime Prevention Fund	\$750.00	\$907.45	(\$157.45)	001
139 Public Safety Fund	\$183,555.00	\$122,519.90	\$61,035.10	
156 EMS Trauma Care Grant	\$1,200.00	\$501.51	\$698.49	
175 Festival/Float Fund	\$8,650.00	\$9,093.98	(\$443.98)	
185 General Reserve Fund	\$200.00	\$0	\$200.00	001
190 Fed. Housing Rehab Fund	\$3,398.00	\$2,147.93	\$1,250.07	
335 Cap. Improvement Fund	\$27,600.00	\$0	\$27,600.00	
350 Fire Department Reserve	\$1,275.00	\$0	\$1,275.00	
410 Water-Sewer Fund	\$1,383,439.00	\$1,212,299.32	\$171,139.68	
430 Garbage Fund	\$325,411.00	\$299,821.07	\$25,589.93	
440 Consumer Deposit Fund	\$0	\$0	\$0.00	410
450 Irrigation Fund	\$320,415.00	\$181,455.75	\$138,959.25	
451 Garbage Reserve Fund	\$20,600.00	\$0	\$20,600.00	430
480 W-S Reserve Fund	\$114,200.00	\$0	\$114,200.00	410
622 Bell Memorial Fund	\$500.00	\$0	\$500.00	

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

Note 3 - Debt Service Requirements.

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 103,590.78	\$ 60,869.00	\$ 164,459.78
2021	\$ 106,292.54	\$ 58,167.24	\$ 164,459.78
2022	\$ 109,087.46	\$ 55,372.32	\$ 164,459.78
2023	\$ 111,961.71	\$ 52,498.07	\$ 164,459.78
2024	\$ 114,861.95	\$ 49,597.83	\$ 164,459.78
2025-2029	\$ 623,112.86	\$203,315.01	\$ 826,427.87
2030-2034	\$ 716,414.57	\$111,529.17	\$ 827,943.74
2035-2039	\$ 193,441.53	\$ 39,266.67	\$ 232,708.20
2040-2044	\$ 84,805.91	\$ 24,634.09	\$ 109,440.00
2045-2049	\$ 99,537.51	\$ 9,902.49	\$ 109,440.00
TOTALS	\$ <u>2,263,106.82</u>	\$ <u>665,151.89</u>	\$ <u>2,928,258.71</u>

Note 4 - Deposits and Investments.

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

<u>Type of Investment</u>	<u>City of Granger's Own investments</u>	Investments held by City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ 520,901.63	\$ _____	\$ 520,901.63
Time Value Investments	\$ 990,000.00	\$ _____	\$ 990,000.00
Total	\$ 1,510,901.63	\$ _____	\$ 1,510,901.63

It is the City of Granger'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 of Granger 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Granger 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 of Granger'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 of Granger or its agent in the government's name.

Securities Lending Transactions None.

Derivatives None.

Compensating Balances None.

Note 5- Interfund Loans

The following table displays inter-fund 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>
450	480	\$ 0	\$ 110,000	\$ 110,000	\$ 0

TOTALS	<u>\$ 0</u>	<u>\$110,000</u>	<u>\$110,000</u>	<u>\$ 0</u>
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Note 6 Other Post-Employment Benefits

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

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Granger 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 1 member, retired. As of December 31, 2019, the City of Granger's total OPEB liability was \$413,198.00, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City of Granger paid \$11,182.61 in benefits.

Note 7 - Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Granger'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, PERS 3, LEOFF 2 and Deferred Compensation Program.

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 requires supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

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

The City of Granger 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 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 Granger's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.004439%	\$ 170,695
PERS 2/3	.005728%	\$ 55,638
LEOFF 1	.000741%	\$ (14,647)
LEOFF 2	.010734%	\$ (248,674)

LEOFF Plan 1

The City of Granger 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 Granger also participates in 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.

B. Local Government Pension Plans

The City of Granger does not have a local government pension plan.

C. Defined Contribution Pension Plans

The City of Granger participates in a nongovernmental (union sponsored) plan.

- The Western Conference of Teamsters Pension Trust Fund, Northwest/Rocky Mt. Area.

Plan administrator: Northwest Administrators

Identification of the plan as a defined contribution plan: The Western Conference of Teamsters Pension Trust

- A brief description of the benefit terms: Plan benefits are funded by employer contributions and investment returns on those contributions. Employer contributions are based on hours worked multiplied by an hourly contributions rate established through collective bargaining.

- The contribution rates in dollars for employees and the employer:

<u>Account</u>	<u>Employee Contribution per hour</u>	<u>Employer Contribution per hour</u>
Department Heads	\$ 2.00	\$ 2.60
Chief/Lieutenant	\$ 1.00	\$ 2.00
Public Works/Clerks	\$.65	\$ 2.00
Police Officers	\$ 0.00	\$ 1.50

- The dollar amount the employer contributed in the reporting period: \$77,732.10

Note 8 - Property Tax

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

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

The City of Granger's regular levy for the year 2019 was \$2.29 per \$1,000 on an assessed valuation of \$112,219,358 for a total regular levy of \$273,014.45. In addition, per RCW 84.69.180, also requested is refund levy amount for the period 10/1/2017 to 9/30/2018, including interest paid in the amount of \$1,172.46, which is the amount calculated by the Yakima County Treasurer. Total Levy \$274,186.91

Included with the property tax are the Real Estate Excise Taxes (REET) which is placed in the Capital Improvement Fund 335, regulated by RCW. Five Percent (5%) of the property taxes are placed in the Street Fund 100. The City also receives money from the EMS Tax Levy which is placed in the EMS Fire Department Fund 120.

100 Street Fund	\$12,528.23
120 EMS Fire Department Fund, EMS Tax Levy portion	\$33,759.38
335 Capital Improvement Fund, REET	\$28,185.50

Note 9 Risk Management

The City of Granger is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 100 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Great American for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2019, AWC RMSA carried a retention of \$200,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

Note 10 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 length of time these measures will be in place, and the full extent of the financial impact on the City of Granger is unknown at this time.

CITY OF GRANGER

NOTES TO FINANCIAL STATEMENTS

January 1, 2018 through December 31, 2018

Note 1 - Summary of Significant Accounting Policies

The City of Granger was incorporated on October 1, 1909 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 of Granger is a general purpose local government and provides public safety, fire protection, street improvements, parks, general administrative services, water-sewer-irrigation, and garbage services. In addition, the City of Granger owns and operates a sewer system.

The City of Granger 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. The 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..
- 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 City of Granger 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 City of Granger'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 (Current Expense)

This fund is the primary operating fund of the City of Granger. 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 Granger.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

This fund reports all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Custodial Funds

This fund is used to account assets that City of Granger 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 of Granger 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 \$5,000.00 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 35 days depending on the years of service and is payable upon separation or retirement.

Sick leave may be accumulated up to 640 hours. Upon retirement, employees may receive payment for unused sick leave depending on their hire dates. Payments are recognized as expenditures when paid.

2018 shows higher amounts in additions due to adding sick leave and compensatory hours for all employees, not just those close to retirement as had been done in the past.

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 the City of Granger's legislative body by ordinance. When expenditures that meet restrictions are incurred, the City of Granger

intends to use reserved resources first before using unreserved amounts.
Reservation of Ending Cash and Investments consist of:

120 EMS Fire Department Fund: Revenues and expenditures are for an ongoing method to promote the funding of emergency medical services by the Granger Fire and Police per Ordinance 740. The Ending Fund Balance of \$46640.48 is reserved. The fund stands alone.

135 Criminal Justice Fund: Revenues and expenditures are an ongoing method to promote the funding of criminal justice projects. The Ending Fund Balance of \$21,873.10 is reserved. The fund stands alone.

137 Crime Prevention Fund: Revenues and expenditures are for an ongoing method to combat criminal activities per Granger Municipal Code Ch. 1.18 and 3.90. The Ending Fund Balance of \$23,084.96 is reserved. The fund is rolled into Current Expense Fund 001 for reporting.

139 Public Safety Fund: Revenues are derived from the three-tenths of one percent local sales and use tax within Yakima County. Expenditures shall be for criminal justice and public safety purposes. The Ending Fund Balance of \$40,347.19 is reserved. The fund stands alone.

156 EMS Trauma Care Grant: Revenues and Expenditures shall be used for EMS and Fire Department purposes per Ordinance 1214. The Ending Fund Balance of \$2,526.92 is reserved. The fund stands alone.

175 Festival/Float Fund: Revenues and expenditures are in support of the city community festival program. The Ending Fund Balance of \$23,791.99 is reserved. The fund stands alone.

190 Federal Housing Rehab Fund: This is a special fund created for the administration of the Federal Housing Rehab grant. The Ending Fund Balance of \$40,463.14 is reserved. The fund stands alone.

196 Planning Only Grant Fund: This is a special fund created for all costs of consulting, engineering and any other costs relating to the development of a water system comprehensive plan under a Community Development Block Grant Per GMC Ch. 3.64. The Ending Fund Balance of \$0.00 is reserved, this fund was closed 5/22/18 per Ordinance 1310. The fund is rolled into the Water-Sewer Fund 410 for reporting.

335 Capital Improvement Plan: Revenues are derived from the Real Estate Excise Tax (REET). Expenditures shall be solely for local capital projects identified in RCW 82.46.010 which are identified in the capital facilities plan element of the city's Growth Management Act Comprehensive Plan. The ending balance of \$140,758.87 is reserved. The fund stands alone.

350 Fire Dept. Reserve Fund: This fund was previously shown as a 100 Special Revenue Fund. Since this Fund is a Capital Projects Fund, the City changed the Fund Number from 150 to 350. Revenues and expenditures are for an ongoing method for purchasing fire-fighting equipment per Ordinance 1248. The Ending Fund Balance is \$68,903.68. The fund stands alone.

440 Consumer Deposit Fund: A Trust Fund to hold water service deposits until renter ceases service, the deposit shall be refunded, less any unpaid account charges per Granger Municipal Code 13.24.140 C. The Ending Fund Balance of \$41,646.92 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

451 Garbage Reserve Fund: Ordinance 567 established this reserve fund for the purchase of garbage disposal/collection equipment and the monies in this fund shall not be expended for any other purpose. The Ending Fund Balance of \$84,343.18 is reserved. The Fund is rolled in the Garbage Fund 430 for reporting.

480 Water-Sewer Reserve Fund: Revenues and expenditures shall support the operation and improvements of the water-sewer fund as deemed by the Granger City Council per Granger Municipal Code 3.110.010. The Ending Fund Balance of \$235,990.61 is reserved. The Fund is rolled into the Water-Sewer Fund 410 for reporting.

630 Court Fund: Municipal Court revenues and expenditures are outlined in the Granger Municipal Code. Ch. 2.36. The Ending Fund Balance of \$6,667.46 is reserved. The Fund stands alone.

Note 2 – Budget Compliance

A. Budgets

The City of Granger adopts annual appropriated budgets for the Parks and Recreation, Street, EMS, Criminal Justice, Crime Prevention, Public Safety, EMS Trauma Care, Festival/Float, General Reserve, Federal Housing Rehabilitation, Planning Only Grant, Capital Improvements, Fire Dept. Reserve, Water/Sewer, Garbage, Consumer Deposit, Irrigation, Garbage Reserve, Water-Sewer Reserve, and Bell Memorial funds. These budgets are appropriated at the fund level except the General (Current Expense) Fund, where budget is adopted at the department 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance	Fund Rolled Into
001 General Fund	\$ 1,530,696.00	\$ 1,522,285.19	\$ 8,410.81	
002 Parks & Recreation	\$ 5,000.00	\$ 3,177.50	\$ 1,822.50	001
100 Street Fund	\$ 222,872.00	\$ 228,575.19	\$ (5,703.19)	
120 EMS Fund	\$ 31,022.00	\$ 22,622.71	\$ 8,399.29	
135 Criminal Justice Fund	\$ 56,860.00	\$ 55,695.08	\$ 1,164.92	
137 Crime Prevention Fund	\$ 22,050.00	\$ 651.08	\$ 21,398.92	001
139 Public Safety Fund	\$ 111,030.00	\$ 82,442.11	\$ 20,587.89	
156 EMS Trauma Care Grant	\$ 4,270.00	\$ 507.79	\$ 3,762.21	
175 Festival/Float Fund	\$ 32,500.00	\$ 8,529.66	\$ 23,970.34	
185 General Reserve Fund	\$ 9,050.00	\$ -	\$ 9,050.00	001
190 Fed. Housing Rehab Fund	\$ 68,700.00	\$ 15,197.84	\$ 53,502.16	
196 Planning Only Grant Fund	\$ 17,000.00	\$ 18,279.63	\$ (1,279.63)	410
335 Cap. Improvement Fund	\$ 129,200.00	\$ -	\$ 129,200.00	
350 Fire Department Reserve	\$ 61,200.00	\$ -	\$ 61,200.00	
410 Water-Sewer Fund	\$ 1,017,692.15	\$ 984,615.08	\$ 33,077.07	
430 Garbage Fund	\$ 340,468.00	\$ 293,228.71	\$ 47,239.29	
440 Consumer Deposit Fund	\$ 45,000.00	\$ -	\$ 45,000.00	410
450 Irrigation Fund	\$ 246,750.00	\$ 197,391.90	\$ 49,358.10	
451 Garbage Reserve Fund	\$ 82,200.00	\$ -	\$ 82,200.00	430
480 W-S Reserve Fund	\$ 184,550.00	\$ -	\$ 181,550.00	410
622 Bell Memorial Fund	\$ 67,175.00	\$ -	\$ 67,175.00	

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

Note 3 - Deposits and Investments.

It is the City of Granger'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. All investments are insured, registered or held by the City of Granger or its agent in the City of Granger's name.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>City of Granger's Own investments</u>	Investments held by City as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ 587,920.33	\$ _____	\$ 587,920.33
Time Value Investments	\$ 978,791.40	\$ _____	\$ 978,791.40
Total	\$1,566,711.73	\$ _____	\$1,566,711.73

Securities Lending Transactions None.

Derivatives None.

Compensating Balances None.

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

The City of Granger's regular levy for the year 2018 was \$2.69 per \$1,000 on an assessed valuation of \$100,460,913 for a total regular levy of \$253,192. In addition, per RCW.84.69.180, also requested is refund levy amount for the period of 10.1.16 to 9/30/2017, including interest paid in the amount of \$13,098.94, which is the amount calculated by the Yakima County Treasurer. Total Levy of \$266,291.

Included with the property tax are the Real Estate Excise Taxes (REET) which is placed in the Capital Improvement Fund 335, regulated by RCW. Five Percent (5%) of the property taxes are placed in the Street Fund 100. The City also receives money from the EMS Tax Levy which is placed in the EMS Fire Department Fund 120.

100 Street Fund	\$26,328.53
120 EMS Fire Department Fund, EMS Tax Levy portion	\$30,181.75
335 Capital Improvement Fund, REET	\$23,776.69

Note 5- Interfund Loans

The following table displays inter-fund loan activity during 2018:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2018</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2018</u>
450	480	\$ 0	\$ 99,000	\$ 99,000	\$ 0
TOTALS		\$ 0	\$99,000	\$99,000	\$ 0

Note 6 - Debt Service Requirements.

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 92,015.47	\$ 53,140.75	\$ 145,156.22
2020	\$ 94,192.51	\$ 50,963.71	\$ 145,156.22
2021	\$ 96,496.23	\$ 48,659.99	\$ 145,156.22
2022	\$ 98,819.36	\$ 46,336.86	\$ 145,156.22
2023	\$ 101,199.10	\$ 43,957.12	\$ 145,156.22
2024-2028	\$ 543,703.98	\$185,077.12	\$ 728,781.10
2029-2033	\$ 612,566.12	\$113,214.98	\$ 725,781.10
2034-2038	\$ 309,578.16	\$ 46,398.26	\$ 355,976.42
2039-2043	\$ 82,146.61	\$ 27,293.39	\$ 109,440.00
2044-2048	\$ 96,394.23	\$ 13,045.77	\$ 109,440.00
2049	\$ 21,201.52	\$ 686.48	\$ 21,888.00
TOTALS	\$ <u>2,148,313.29</u>	\$ <u>628,774.43</u>	\$ <u>2,777,087.72</u>

Note 7 – Other Post-Employment Benefits

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Granger 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, 2018, the plan had 1 member, retired. As of December 31, 2018, the City of Granger's total OPEB liability was \$402,046.00, as calculated using the alternative measurement method. For the year ended December 31, 2018, the City of Granger paid \$10,161.10 in benefits.

Note 8 - Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Granger'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 retirements plans PERS 2, PERS 3, LEOFF 2 and Deferred Compensation Program.

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 requires supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

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

The City of Granger 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 plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

On June 30, 2018, the City of Granger's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.004366%	\$ 194,987
PERS 2/3	.005596%	\$ 95,547
LEOFF 1	.000728%	\$ (13,217)
LEOFF 2	.012977%	\$ (263,461)

LEOFF Plan 1

The City of Granger 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 Granger also participates in 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.

C. Defined Contribution Pension Plans

The City of Granger participates in a nongovernmental (union sponsored) plan.

- The Western Conference of Teamsters Pension Trust Fund, Northwest/Rocky Mt. Area.

Plan administrator: Northwest Administrators

Identification of the plan as a defined contribution plan: The Western Conference of Teamsters Pension Trust

- A brief description of the benefit terms: Plan benefits are funded by employer contributions and investment returns on those contributions. Employer contributions are based on hours worked multiplied by an hourly contributions rate established through collective bargaining.

- The contribution rates in dollars for employees and the employer:

Account	Employee Contribution per hour	Employer Contribution per hour
Department Heads	\$ 2.00	\$ 2.60
Public Works/Clerks	\$.50	\$ 2.00
Police Officers	\$ 0.00	\$ 1.50

- The dollar amount the employer contributed in the reporting period: \$72,884.15

Note 9 Risk Management

The City of Granger is a member of the Association of Washington Cities Risk Management Service

Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2018, 100 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2018, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

City of Granger
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						
263.81	2010 USDA RD Loan	5/25/2050	423,441	-	8,126	415,315
263.81	WA ST Water Pollution	8/30/2035	1,724,794	-	83,889	1,640,905
263.91	First Interstate Bank	11/1/2034	-	206,809	-	206,809
Total General Obligation Debt/Liabilities:			2,148,235	206,809	92,015	2,263,029
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		152,833	67,956	42,433	178,356
264.30	Pension Liability		290,534	-	64,200	226,334
264.40	OPEB		-	413,198	-	413,198
Total Revenue and Other (non G.O.) Debt/Liabilities:			443,367	481,154	106,633	817,888
Total Liabilities:			2,591,602	687,963	198,648	3,080,917

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	2010 USDA RD Loan	5/25/2050	431,311	-	7,870	423,441
263.81	WA ST Water Pollution	8/30/2035	1,806,778	-	81,984	1,724,794
Total General Obligation Debt/Liabilities:			2,238,089	-	89,854	2,148,235
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		68,396	140,396	55,959	152,833
264.30	Pension Liability		400,053	-	109,519	290,534
Total Revenue and Other (non G.O.) Debt/Liabilities:			468,449	140,396	165,478	443,367
Total Liabilities:			2,706,538	140,396	255,332	2,591,602

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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