



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Town of Twisp

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

*Published July 22, 2021*

Report No. 1028588



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

July 22, 2021

Mayor and Town Council  
Town of Twisp  
Twisp, Washington

**Report on Financial Statements**

Please find attached our report on the Town of Twisp's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

## TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on the Financial Statements .....	7
Financial Section.....	10
About the State Auditor's Office.....	38

## 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*

#### **Town of Twisp January 1, 2018 through December 31, 2019**

Mayor and Town Council  
Town of Twisp  
Twisp, 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 Town of Twisp, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated June 4, 2021.

We issued an unmodified opinion on the fair presentation of the Town'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 Town 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 9 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Town is unknown. Management's plans in response to the matter are also described in Note 9.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town's financial statements are free from material misstatement, we performed tests of the Town'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 Town'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 Town's internal control and

compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

June 4, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Town of Twisp January 1, 2018 through December 31, 2019**

Mayor and Town Council  
Town of Twisp  
Twisp, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Town of Twisp, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 10.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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 Town'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 Town'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 Town of Twisp 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 Town of Twisp, 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 Town 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 Town of Twisp, 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 9 of the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Town is unknown. Management's plans in response to this matter are also described in Note 9. 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 June 4, 2021 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

June 4, 2021

## **FINANCIAL SECTION**

### **Town of Twisp 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

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>103 Tourism 2%</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	747,737	113,161	68,616	42,039
30880	Unreserved	778,910	195,560	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	895,371	697,193	134,552	42,197
320	Licenses and Permits	43,630	43,605	-	-
330	Intergovernmental Revenues	909,382	878,413	22,161	-
340	Charges for Goods and Services	976,200	48,934	2,736	-
350	Fines and Penalties	7,858	7,858	-	-
360	Miscellaneous Revenues	189,983	135,582	1,814	10
Total Revenues:		3,022,424	1,811,585	161,263	42,207
<b>Expenditures</b>					
510	General Government	167,411	167,411	-	-
520	Public Safety	538,846	538,846	-	-
530	Utilities	568,944	-	-	-
540	Transportation	166,363	38,580	127,783	-
550	Natural and Economic Environment	51,706	51,706	-	-
560	Social Services	266	266	-	-
570	Culture and Recreation	137,690	104,227	-	33,463
Total Expenditures:		1,631,226	901,036	127,783	33,463
Excess (Deficiency) Revenues over Expenditures:		1,391,198	910,549	33,480	8,744
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	348,186	-	-	-
397	Transfers-In	46,866	15,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	22,930	22,699	231	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		417,982	37,699	231	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,046,418	1,355,886	34,943	-
591-593, 599	Debt Service	135,351	6,305	-	-
597	Transfers-Out	31,866	12,936	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	73,544	21,155	231	-
581, 582	Other Uses	825	825	-	-
Total Other Decreases in Fund Resources:		2,288,004	1,397,107	35,174	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(478,824)</b>	<b>(448,859)</b>	<b>(1,463)</b>	<b>8,744</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	704,915	(176,542)	67,153	50,784
5088000	Unreserved	342,908	36,406	-	-
<b>Total Ending Cash and Investments</b>		<b>1,047,823</b>	<b>(140,136)</b>	<b>67,153</b>	<b>50,784</b>

The accompanying notes are an integral part of this statement.

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

		<b>224 Debt Service-Firehall PD Vehicles</b>	<b>301 Old Cap Projects Fund</b>	<b>302 STP</b>	<b>309 Civic Building</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	(1,125)	(52,780)	348,387
30880	Unreserved	1,172	-	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	8,808	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		-	-	8,808	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	-	8,808	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	12,936	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		12,936	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	91,046
591-593, 599	Debt Service	12,936	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		12,936	-	-	91,046
<b>Increase (Decrease) in Cash and Investments:</b>		-	-	<b>8,808</b>	<b>(91,046)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,172	(1,125)	-	-
5088000	Unreserved	-	-	(43,973)	257,341
<b>Total Ending Cash and Investments</b>		<b>1,172</b>	<b>(1,125)</b>	<b>(43,973)</b>	<b>257,341</b>

The accompanying notes are an integral part of this statement.

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

		<b>310 REET Fund</b>	<b>401 Water Fund</b>	<b>404 Sewer Fund</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	96,161	133,278	-
30880	Unreserved	-	328,460	253,718
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	21,297	132	-
320	Licenses and Permits	-	-	25
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	463,143	461,387
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	25,038	27,539
Total Revenues:		21,297	488,313	488,951
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	232,013	336,931
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	232,013	336,931
Excess (Deficiency) Revenues over Expenditures:		21,297	256,300	152,020
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	348,186	-
397	Transfers-In	-	18,930	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	367,116	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	-	457,475	107,068
591-593, 599	Debt Service	-	114,285	1,825
597	Transfers-Out	-	-	18,930
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	23,578	28,580
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	595,338	156,403
<b>Increase (Decrease) in Cash and Investments:</b>		<b>21,297</b>	<b>28,078</b>	<b>(4,383)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	117,458	467,116	178,899
5088000	Unreserved	-	22,697	70,437
<b>Total Ending Cash and Investments</b>		<b>117,458</b>	<b>489,813</b>	<b>249,336</b>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>103 Tourism 2%</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	512,773	(147,890)	233,028	42,101
30880	Unreserved	665,072	196,686	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	839,880	655,048	128,038	35,204
320	Licenses and Permits	54,058	53,933	-	-
330	Intergovernmental Revenues	1,333,762	1,301,804	31,958	-
340	Charges for Goods and Services	968,093	49,052	-	-
350	Fines and Penalties	6,727	6,727	-	-
360	Miscellaneous Revenues	101,020	22,767	5,740	2
Total Revenues:		3,303,539	2,089,330	165,736	35,205
<b>Expenditures</b>					
510	General Government	184,452	184,452	-	-
520	Public Safety	458,190	458,190	-	-
530	Utilities	619,104	-	-	-
540	Transportation	123,742	11,697	112,045	-
550	Natural and Economic Environment	59,022	59,022	-	-
560	Social Services	259	259	-	-
570	Culture and Recreation	143,458	108,191	-	35,267
Total Expenditures:		1,588,227	821,811	112,045	35,267
Excess (Deficiency) Revenues over Expenditures:		1,715,313	1,267,520	53,691	(61)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	466,297	-	-	-
397	Transfers-In	422,268	265,001	1,611	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	18,772	16,828	231	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		907,337	281,829	1,842	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,718,830	899,298	23,618	-
591-593, 599	Debt Service	129,883	6,335	-	-
597	Transfers-Out	407,268	17,770	250,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	17,866	17,635	231	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,273,846	941,037	273,849	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>348,803</b>	<b>608,312</b>	<b>(218,316)</b>	<b>(61)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	778,614	(19,323)	68,616	42,039
5088000	Unreserved	748,035	676,431	(53,904)	-
<b>Total Ending Cash and Investments</b>		<b>1,526,649</b>	<b>657,108</b>	<b>14,712</b>	<b>42,039</b>

The accompanying notes are an integral part of this statement.

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

		<b>224 Debt Service-Firehall PD Vehicles</b>	<b>310 REET Fund</b>	<b>311 Public Works Shop Construction</b>	<b>401 Water Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	74,570	194,939	116,025
30880	Unreserved	1,172	-	-	280,548
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	21,591	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	466,302
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	40,006
Total Revenues:		-	21,591	-	506,307
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	265,012
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	265,012
Excess (Deficiency) Revenues over Expenditures:		-	21,591	-	241,296
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	14,664
397	Transfers-In	12,936	-	-	81,809
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	1,713
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		12,936	-	-	98,187
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	194,939	96,748
591-593, 599	Debt Service	12,936	-	-	96,753
597	Transfers-Out	-	-	-	61,268
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		12,936	-	194,939	254,769
<b>Increase (Decrease) in Cash and Investments:</b>		-	<b>21,591</b>	<b>(194,939)</b>	<b>84,714</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,172	96,161	-	401,104
5088000	Unreserved	-	-	-	80,182
<b>Total Ending Cash and Investments</b>		<b>1,172</b>	<b>96,161</b>	<b>-</b>	<b>481,286</b>

The accompanying notes are an integral part of this statement.

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

		<b>403 USDA Waterline Improvements -</b>	<b>404 Sewer Fund</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	-	186,665
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	125
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	452,739
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	32,506
Total Revenues:		-	485,370
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	354,092
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	354,092
Excess (Deficiency) Revenues over Expenditures:		-	131,278
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	451,632	-
397	Transfers-In	59,300	1,611
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		510,932	1,611
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	459,146	45,081
591-593, 599	Debt Service	12,035	1,825
597	Transfers-Out	59,300	18,930
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		530,480	65,836
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(19,549)</b>	<b>67,053</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	188,844
5088000	Unreserved	(19,548)	64,874
<b>Total Ending Cash and Investments</b>		<b>(19,548)</b>	<b>253,718</b>

The accompanying notes are an integral part of this statement.



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

		<u>Custodial</u>
308	Beginning Cash and Investments	24,213
388 & 588	Net Adjustments	-
310-390	Additions	10,421
510-590	Deductions	15,000
	Net Increase (Decrease) in Cash and Investments:	(4,579)
508	Ending Cash and Investments	19,634

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

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

		<b>Custodial</b>
308	Beginning Cash and Investments	29,116
388 & 588	Net Adjustments	-
310-390	Additions	10,096
510-590	Deductions	15,000
	Net Increase (Decrease) in Cash and Investments:	(4,904)
508	Ending Cash and Investments	24,213

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

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

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

The Town of Twisp was incorporated on August 9, 1909 and operates under the laws of the state of Washington applicable to a Town. The Town is a general purpose local government and provides public safety, fire prevention services, street improvements, parks and recreation, general administrative services and town-owned water and sewer utilities.

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

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

**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue Funds**

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

**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.

**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.

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 8 days and is payable upon separation or retirement for up to forty (40) hours. Sick leave may be accumulated up to 720 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 5, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

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

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

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
General Fund	(176,542.00)	Grant Related
Street Fund	67,153.00	External Restrictions
Tourism	50,784.00	External Restrictions
Deb Service Firehall / PD Vehicle	1,172.00	Internal Debt Fund
REET	117,458.00	External Restrictions
Water Fund	467,116.00	External Restrictions
Sewer Fund	178,899.00	External Restrictions
Wagner Pool Trust	19,633.61	External Restrictions

**Note 2 – Budget Compliance**

The Town adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund			
General Fund	839,777.85	917,759.23	-77,981.38
2nd Avenue/Lincoln Street/Methow Street (TIB) Grant Funded	127,844.66	111,595.77	16,248.89
TIB - Road Chip Seal Project	11,777.00	11,777.17	-0.17

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

WSDOT - Aviation	4,025.05	4,025.05	
Complete Streets	150,000.00	150,523.72	-523.72
Canyon Street Project	590,278.00	519,403.52	70,874.48
Canyon Street Bus Stop	87,379.75	51,491.14	35,888.61
Sports Complex	498,900.00	57,487.98	441,412.02
WSDOT Aviation - South Taxiway	525,787.76	474,076.53	51,711.23
RCO - Trails Project			
Total 001 - General Fund	2,835,770.07	2,298,140.11	537,629.96

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
			-
101 - Street Fund	138,240.00	162,956.69	24,716.69
103 - Tourism 2%	34,700.00	33,463.30	1,236.70
224 - Debt Service-Firehall PD Vehicles USDA	12,936.00	12,936.00	
302 - STP			
			-
309 - Civic Building	24,067.28	91,046.16	66,978.88
310 - REET Fund			
401 - Water Fund			
Debt Service-Water/Sewer Fund	83,912.00	83,910.38	1.62
Water Fund	335,953.81	290,950.94	45,002.87
USDA Reserve Fund			
			-
USDA Waterline Improvements - Phase 1 - 3	393,758.05	445,091.68	51,333.63
Water Fund Reserve - Capital Upgrade/Improvement	7,400.00	7,400.00	
Total 401 - Water Fund	821,023.86	827,353.00	-6,329.14

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

404 - Sewer Fund			
Sewer Fund	407,943.46	409,265.31	-1,321.85
Sewer Fund Reserve - Capital			
Upgrade/Improvement	137,169.15	84,067.97	53,101.18
Total 404 - Sewer Fund	545,112.61	493,333.28	51,779.33
630 - Wagner Pool-Private Purpose Trust Fund	15,000.00	15,000.00	

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

This budget excludes interfund transfers due to consolidation.

**Note 3 – Deposits and Investments**

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

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

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

Type of Investment	Twisp's Own investments	Investments held by the Town as an agent for other local governments, individuals, or private organizations.		Total
U.S. Government Securities	24,213			21,213
<i>Totals</i>	\$ 24,213	\$ -	\$	21,213

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

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

The Town's regular levy for the year 2019 was \$2.034965 per \$1,000 on an assessed valuation of \$94,830,101 for a total regular levy of \$192,976.

**Note 5 – Debt Service Requirements**

**Debt Service**

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

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

Year	Principal	Interest	Total Debt Service
2019	67,632.51	50,208.65	117,841.16
2020	68,862.25	48,969.70	117,831.95
2021	56,229.45	47,299.66	103,529.11
2022	38,139.55	46,078.45	84,218.00
2023-2027	205,399.26	215,690.74	421,090.00
2028-2032	206,352.05	214,737.95	421,090.00
2033-2037	222,229.34	198,860.66	421,090.00
2038-2042	190,092.16	184,133.20	374,225.36
2043-2047	151,120.60	173,789.40	324,910.00
2048-2052	148,758.24	85,543.76	234,302.00
2053-2057	92,091.53	6,298.47	98,390.00
2058-2062	-	-	-
<b>Totals</b>	<b>1,446,906.94</b>	<b>1,271,610.64</b>	<b>2,718,517.58</b>

**Note 6 – Pension Plans**

**A. State Sponsored Pension Plans**

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS1, PERS2, PERS3 AND LEOFF 2.

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

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380



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

Olympia, WA 98540-8380

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

The city 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 comprehensive annual financial report available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

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

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	21197.85	4,466,034,000	0.002956%	132,029	
PERS 2/3	31190.79	1,707,411,000	0.003819%	65,205	
LEOFF 2	10768.02	(2,030,218,000)	0.005840%		(118,572)
<i>Totals</i>				\$ 197,234	\$ (118,572)

**LEOFF Plan 1**

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

**LEOFF Plan 2**

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

**Note 7 – Risk Management**

The Town of Twisp 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

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

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, 99 municipalities/entities participate in the AWC RMSA pool.

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

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

**Note 8 - Other Disclosures**

***Self-Insurance***

The Employment Security Department (ESD) manages any unemployment claims for the Town. The Town is invoiced by ESD and then the funds are forwarded by them to the claimant.

***Interlocal Agreements***

The Town has an inter-local agreement with Okanogan County Fire District #6; in 2017 the Town paid \$48,620 for fire protection services.

Town is a collection agent for Emergency Medical Services (EMS) levied funds; funds are dispersed 2

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

times per year.

**Note 9 - COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

On March 18<sup>th</sup> 2020 the Town Council issued an emergency proclamation via the Mayor's office to declare the emergency, prioritize public health and safety, and acknowledge the need for additional assistance from State and or Federal agencies to deal with the emergency. Social distancing and health and safety protocols were put into place on Town property and for town staff.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Town of Twisp is unknown at this time.

## **Notes to the Financial Statements**

### **For the year ended December 31, 2018**

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

The Town of Twisp was incorporated on August 9, 1909 and operates under the laws of the state of Washington applicable to a Town. The Town is a general purpose local government and provides public safety, fire prevention services, street improvements, parks and recreation, general administrative services and town-owned water and sewer utilities.

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#### **GOVERNMENTAL FUND TYPES:**

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

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

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

PROPRIETARY FUND TYPES:

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

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

Custodial Funds

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

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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.

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C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

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

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Vacation leave may be accumulated up to 8 days and is payable upon separation or retirement for up to forty (40) hours. Sick leave may be accumulated up to 720 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 4, *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 Twisp Town Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

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

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
General Fund	(19,322.58)	Grant Related
Street Fund	68,615.96	External Restrictions
Tourism	42,039.33	External Restrictions
Debt SvcFirehall / PD Vehicle	1,172.41	Internal Debt Fund
REET	96,160.71	External Restrictions
Water Fund	401,104.11	External Restrictions
Sewer Fund	188,843.93	External Restrictions
Wagner PoolTrust	24,212.66	External Restrictions

**Note 2 – Budget Compliance**

The Town adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund			
General Fund	870,429	856,876	13,553
2nd Avenue/Lincoln Street/Methow Street (TIB) Grant Funded	771,188	715,677	55,511
TIB - Road Chip Seal Project	27,592		27,592
CDBG - Civic Building/EOC	750,000		750,000
WSDOT Aviation	3,930		3,930
Complete Streets	250,000	106,668	143,332
Canyon Street Project		888	(888)
Canyon Street Bus Stop	89,156	718	88,438
Sports Complex	1,100	1,123	(23)
RCO - Trails Project	86,605	246	86,359
FEMA - Generators	26,680	24,253	2,427
Civic Building/Public Works Shop	500,000	56,399	443,601
<b>Total 001 - General Fund</b>	<b>3,376,680</b>	<b>1,762,848</b>	<b>1,613,832</b>

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
101 - Street Fund			
Street Fund	387,188	379,006	8,182
TAP	3,775		3,775
STP	37,362	6,888	30,474
<b>Total 101 - Street Fund</b>	<b>428,325</b>	<b>385,894</b>	<b>42,431</b>
103 - Tourism 2%	40,824	35,267	5,557
224 - Debt Service-Firehall PD Vehicles USDA	12,936	12,936	
310 - REET Fund			
311 - Public Works Shop Construction Fund	400,000	194,939	205,061
401 - Water Fund			
Debt Service-Water/Sewer Fund	83,912	83,910	2
Water Fund	324,974	350,787	(25,813)
USDA Waterline Improvements - Phase 1 - 3	447,653	471,180	(23,528)
Water Fund Reserve - Capital Upgrade/Improvement	7,973	25,784	(17,812)
<b>Total 401 - Water Fund</b>	<b>864,512</b>	<b>931,662</b>	<b>(67,151)</b>
404 - Sewer Fund			
Sewer Fund	404,288	387,069	17,219
Sewer Fund Reserve - Capital Upgrade/Improvement	137,743	32,858	104,884
<b>Total 404 - Sewer Fund</b>	<b>542,031</b>	<b>419,928</b>	<b>122,103</b>
630 - Wagner Pool-Private Purpose Trust Fund	15,000	15,000	-

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

This budget excludes interfund transfers due to consolidation.

**Note 3 – Deposits and Investments**

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

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

Investments are reported at original cost/fair value. Investments by type at December 31, 2018 are as

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

follows:

Type of Investment	Twisp's Own investments	Investments held by the Town as an agent for other local governments, individuals, or private organizations.	Total
U.S. Government Securities	24,213		21,213
<i>Totals</i>	\$ 24,213	\$ -	\$ 21,213

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

The Town's regular levy for the year 2018 was \$2.019025 per \$1,000 on an assessed valuation of \$93,694,714 for a total regular levy of \$189,172.

**Note 5 – Debt Service Requirements**

**Debt Service**

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

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

Year	Principal	Interest	Total Debt Service
2019	67,632.51	50,208.65	117,841.16
2020	68,862.25	48,969.70	117,831.95
2021	56,229.45	47,299.66	103,529.11
2022	38,139.55	46,078.45	84,218.00
2023-2027	205,399.26	215,690.74	421,090.00
2028-2032	206,352.05	214,737.95	421,090.00
2033-2037	222,229.34	198,860.66	421,090.00
2038-2042	190,092.16	184,133.20	374,225.36
2043-2047	151,120.60	173,789.40	324,910.00
2048-2052	148,758.24	85,543.76	234,302.00
2053-2057	92,091.53	6,298.47	98,390.00
2058-2062	-	-	-
<i>Totals</i>	1,446,906.94	1,271,610.64	2,718,517.58



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

**Note 6 – Pension Plans**

**A. State Sponsored Pension Plans**

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS1, PERS2, PERS3 AND LEOFF 2.

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

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

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

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

The city 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 comprehensive annual financial report available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

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

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1	2,443	4,466,034,000	0.000366%	16,346	
PERS 1 UAAL	16,877	4,466,034,000	0.002525%	112,767	
PERS 2/3	25,131	1,707,411,000	0.003257%	55,610	
LEOFF 2	9,098	(2,030,218,000)	0.005247%		(106,526)
			<i>Totals</i>	\$184,723	\$(106,526)

## **Notes to the Financial Statements**

### **For the year ended December 31, 2018**

#### **LEOFF Plan 1**

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

#### **LEOFF Plan 2**

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

#### **Note 7 – Risk Management**

The Town of Twisp 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, 99 municipalities/entities participate in the AWC RMSA pool.

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

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

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

contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

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

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

**Note 8 - Other Disclosures**

***Self-Insurance***

The Employment Security Department (ESD) manages any unemployment claims for the Town. The Town is invoiced by ESD and then the funds are forwarded by them to the claimant.

***Interlocal Agreements***

The Town has an inter-local agreement with Okanogan County Fire District #6; in 2017 the Town paid \$48,620 for fire protection services.

Town is a collection agent for Emergency Medical Services (EMS) levied funds; funds are dispersed 2 times per year.

**Town of Twisp  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Notes Payable - Pool Loan	10/1/2020	1,768	-	921	847
251.11	Notes Payable - Town Hall Roof	12/1/2021	23,283	-	3,200	20,083
251.11	Notes Payable - Lawn Mower	4/14/2020	4,552	-	1,530	3,022
<b>Total General Obligation Debt/Liabilities:</b>			<b>29,603</b>	<b>-</b>	<b>5,651</b>	<b>23,952</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	Loans & Other pmts to other governments - PD Vehicle	5/1/2021	10,997	-	4,109	6,888
263.82	Loans & Other pmts to other governments - DOE/OCR	11/1/2040	242,880	-	11,040	231,840
263.82	Loans & Other pmts to other governments - Fire Hall	6/29/2038	104,069	-	3,999	100,070
263.82	Loans & Other pmts to other governments - Hilltop Booster Station	12/22/2049	782,177	-	12,192	769,985
263.82	Loans & Other pmts to other governments - Sewer Upgrades	12/1/2021	48,176	-	18,928	29,248
259.12	Compensated Absences	12/31/2018	22,890	1,244	-	24,134
263.82	SR20 Waterlines	6/7/2057	486,625	-	8,263	478,362
264.30	Net Pension Liability	12/31/2018	184,723	63,157	-	247,880
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,882,537</b>	<b>64,401</b>	<b>58,531</b>	<b>1,888,407</b>
<b>Total Liabilities:</b>			<b>1,912,140</b>	<b>64,401</b>	<b>64,182</b>	<b>1,912,359</b>

**Town of Twisp  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Notes Payable - Pool Loan	10/1/2020	2,687	-	919	1,768
251.11	Notes Payable - Town Hall Roof	12/1/2021	26,313	-	3,030	23,283
251.11	Notes Payable - Lawn Mower	4/14/2020	6,021	-	1,469	4,552
<b>Total General Obligation Debt/Liabilities:</b>			<b>35,021</b>	<b>-</b>	<b>5,418</b>	<b>29,603</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	Loans & Other pmts to other governments - PD Vehicle	5/1/2021	15,353	-	4,356	10,997
263.82	Loans & Other pmts to other governments - DOE/OCR	11/1/2040	253,920	-	11,040	242,880
263.82	Loans & Other pmts to other governments - Fire Hall	6/29/2038	107,534	-	3,465	104,069
263.82	Loans & Other pmts to other governments - Hilltop Booster Station	12/22/2049	788,081	-	5,904	782,177
263.82	Loans & Other pmts to other governments - Sewer Upgrades	12/1/2021	67,104	-	18,928	48,176
259.12	Compensated Absences	12/31/2018	19,961	2,929	-	22,890
263.82	SR20 Waterlines	6/7/2057	500,736	-	14,111	486,625
264.30	Net Pension Liability	12/31/2018	252,560	-	67,837	184,723
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,005,249</b>	<b>2,929</b>	<b>125,641</b>	<b>1,882,537</b>
<b>Total Liabilities:</b>			<b>2,040,270</b>	<b>2,929</b>	<b>131,059</b>	<b>1,912,140</b>

## 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](http://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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