



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Algona

For the period January 1, 2017 through December 31, 2019

Published December 13, 2021

Report No. 1029506



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

December 13, 2021

Mayor and City Council
City of Algona
Algona, Washington

Report on Financial Statements

Please find attached our report on the City of Algona'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 Algona January 1, 2017 through December 31, 2019

2019-001 The City did not have adequate internal controls over financial statement preparation to ensure accurate and reliable financial reporting.

Background

City management is responsible for designing, implementing, and maintaining internal controls to ensure the financial statements are fairly presented, and to provide reasonable assurance regarding the reliability of financial reporting. The City prepares its financial statements in accordance with the cash basis of accounting, under the *Budgeting, Accounting, and Reporting System* (BARS) manual. Our audit identified deficiencies in the City's internal controls over financial reporting that hindered the City's ability to produce reliable financial statements.

Government Accounting Standards requires the auditor to communicate significant deficiencies in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We noted the following deficiencies in internal controls over accounting and financial reporting that, when taken together, represent a significant deficiency:

- City staff responsible for compiling financial information lacked technical knowledge and experience needed to accurately prepare the financial statements, notes to the financial statements, and schedules of liabilities.
- The City did not retain documentation showing monthly reconciliations between the County Treasurer statements, and its general ledger were reviewed.
- There was insufficient oversight and review of the financial reporting package prior to submission to the Washington State Auditor's Office (SAO) to ensure information reported was accurate and complete.

Cause of Condition

- The City experienced turnover in key positions responsible for preparing the City's annual report.
- There was insufficient oversight and review of monthly reconciliations between the County Treasurer statements, and its general ledger.
- There was insufficient oversight and review of the financial reporting package prior to submission to the Washington State Auditor's Office (SAO) to ensure information reported was accurate and complete.

Effect of Condition

- Financial reports cannot be relied upon by City officials, the public, state and federal agencies, and other interested parties if financial activity is not accurately reported.
- The City relied on a consultant to compile their financial statements since the financial reporting package submitted to SAO was inaccurate and incomplete.
- The City incurred additional costs to contract for corrected statements and also incurred significant additional audit costs.

Recommendation

We recommend the City:

- Strengthen internal controls and dedicate the resources necessary to ensure all staff responsible for preparing financial statements have the necessary resources and training to prepare accurate and complete financial statements and notes in accordance with reporting standards.
- Ensure an appropriate review of the monthly reconciliations and the financial statements is performed by a person knowledgeable of City activities and government auditing requirements. Staff may wish to use a checklist or other appropriate reviewing tool for this purpose.

City's Response

The City concurs with this finding. The prior City Clerk did not have the necessary skills to prepare financial statements in an accurate and timely manner. Effective January 2021, the City has employed a new City Clerk. Additionally, the City has contracted with an external CPA to provide assistance with financial statement preparation.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regularly scheduled audit.

Applicable Laws and Regulations

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

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 *Budget, 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.

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 Algona January 1, 2017 through December 31, 2019

Mayor and City Council
City of Algona
Algona, 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 Algona, as of and for the years ended December 31, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 6, 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 the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a significant deficiency.

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*. However, we noted certain matters that we have reported to the management of the City in a separate special investigation report dated December 6, 2021.

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

December 6, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Algona January 1, 2017 through December 31, 2019

Mayor and City Council
City of Algona
Algona, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Algona, for the years ended December 31, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 13.

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 Algona 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 Algona, and its changes in cash and investments, for the years ended December 31, 2019, 2018 and 2017, 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 Algona, as of December 31, 2019, 2018 and 2017, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 10 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct and 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 December 6, 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.



Pat McCarthy, State Auditor

December 6, 2021

**City of Algona
January 1, 2017 through December 31, 2019**

FINANCIAL STATEMENTS

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

	Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	110 Park Impact Fund	205 General Obligation Bond Fund	306 Capital Improvement Fund	401 Stormwater Mgmt Fund	402 Water Maintenance Fund	403 Sewer Maintenance Fund	520 Unemployment Trust Fund
Beginning Cash and Investments										
30810 Reserved	574,779	4,318	273,917	73,101	-	207,844	-	-	-	15,599
30880 Unreserved	4,714,401	1,690,807	-	-	40,718	-	1,402,114	973,453	607,309	-
388 / 588 Net Adjustments	-	-	-	-	-	-	-	-	-	-
Revenues										
310 Taxes	2,361,112	1,916,636	178,380	-	-	266,096	-	-	-	-
320 Licenses and Permits	249,250	227,235	22,015	-	-	-	-	-	-	-
330 Intergovernmental Revenues	558,876	130,235	380,352	-	-	-	48,289	-	-	-
340 Charges for Goods and Services	2,223,769	43,825	7,372	3,297	-	-	374,519	799,216	995,540	-
350 Fines and Penalties	51,819	14,425	-	-	-	-	805	31,839	4,750	-
360 Miscellaneous Revenues	167,233	92,217	26,111	842	-	5,232	19,630	14,920	8,102	179
Total Revenues:	5,612,059	2,424,573	614,230	4,139	-	271,328	443,243	845,975	1,008,392	179
Expenditures										
510 General Government	543,676	543,676	-	-	-	-	-	-	-	-
520 Public Safety	1,557,736	1,557,736	-	-	-	-	-	-	-	-
530 Utilities	1,843,092	17,213	-	-	-	-	243,978	663,593	918,308	-
540 Transportation	347,763	-	347,763	-	-	-	-	-	-	-
550 Natural and Economic Environment	241,493	241,493	-	-	-	-	-	-	-	-
560 Social Services	9,868	9,868	-	-	-	-	-	-	-	-
570 Culture and Recreation	76,622	76,622	-	-	-	-	-	-	-	-
Total Expenditures:	4,620,250	2,446,608	347,763	-	-	-	243,978	663,593	918,308	-
Excess (Deficiency) Revenues over Expenditures:	991,809	(22,035)	266,467	4,139	-	271,328	199,265	182,382	90,084	179
Other Increases in Fund Resources										
391-393, 596 Debt Proceeds	-	-	-	-	-	-	-	-	-	-
397 Transfers-In	355,000	-	-	-	355,000	-	-	-	-	-
385 Special or Extraordinary Items	553,368	-	-	-	-	553,368	-	-	-	-
386 / 389 Custodial Activities	2,290	2,290	-	-	-	-	-	-	-	-
381, 382, 395, 398 Other Resources	-	-	-	-	-	-	-	-	-	-
Total Other Increases in Fund Resources:	910,658	2,290	-	-	355,000	553,368	-	-	-	-
Other Decreases in Fund Resources										
594-595 Capital Expenditures	495,591	49,391	398,337	-	-	-	6,080	38,975	2,808	-
591-593, 599 Debt Service	318,239	-	-	-	318,239	-	-	-	-	-
597 Transfers-Out	355,000	355,000	-	-	-	-	-	-	-	-
585 Special or Extraordinary Items	(39,319)	(39,319)	-	-	-	-	-	-	-	-
586 / 589 Custodial Activities	-	-	-	-	-	-	-	-	-	-
581, 582 Other Uses	-	-	-	-	-	-	-	-	-	-
Total Other Decreases in Fund Resources:	1,129,511	365,072	398,337	-	318,239	-	6,080	38,975	2,808	-
Increase (Decrease) in Cash and Investments:	772,956	(384,817)	(131,870)	4,139	36,761	824,696	193,185	143,407	87,276	179
Ending Cash and Investments										
5081000 Reserved	1,271,923	4,318	142,047	77,240	-	1,032,540	-	-	-	15,778
5088000 Unreserved	4,790,213	1,305,990	-	-	77,479	-	1,595,299	1,116,860	694,585	-
Total Ending Cash and Investments	6,062,136	1,310,308	142,047	77,240	77,479	1,032,540	1,595,299	1,116,860	694,585	15,778

The accompanying notes are an integral part of this statement.

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

	Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	110 Park Impact Fund	205 General Obligation Bond Fund	306 Capital Improvement Fund	401 Stormwater Mgmt Fund	402 Water Maintenance Fund	403 Sewer Maintenance Fund	520 Unemployment Trust Fund
Beginning Cash and Investments										
30810	Reserved	1,787,237	4,254	260,418	72,449	-	1,430,161	-	-	19,956
30880	Unreserved	4,856,815	2,189,990	-	-	2,648	-	1,279,349	853,060	531,768
388 / 588	Net Adjustments	-56,793	-56,793	-	-	-	-	-	-	-
Revenues										
310	Taxes	2,140,851	1,876,676	177,628	3,006	-	83,542	-	-	-
320	Licenses and Permits	226,829	219,330	7,499	-	-	-	-	-	-
330	Intergovernmental Revenues	568,627	129,986	438,641	-	-	-	-	-	-
340	Charges for Goods and Services	2,117,307	29,912	5,718	-	-	367,867	772,896	940,914	-
350	Fines and Penalties	100,475	51,780	-	-	-	1,894	40,463	6,338	-
360	Miscellaneous Revenues	290,601	114,663	92,610	1,301	-	6,883	47,409	17,120	331
Total Revenues:		5,444,690	2,422,347	722,096	4,307	-	90,425	417,170	830,480	957,536
Expenditures										
510	General Government	589,055	584,368	-	-	-	-	-	-	4,687
520	Public Safety	1,569,054	1,569,054	-	-	-	-	-	-	-
530	Utilities	1,805,387	19,737	-	-	-	228,400	681,135	876,115	-
540	Transportation	318,114	-	318,114	-	-	-	-	-	-
550	Natural and Economic Environment	194,469	194,469	-	-	-	-	-	-	-
560	Social Services	5,161	5,161	-	-	-	-	-	-	-
570	Culture and Recreation	90,013	90,013	-	-	-	-	-	-	-
Total Expenditures:		4,571,253	2,462,802	318,114	-	-	228,400	681,135	876,115	4,687
Excess (Deficiency) Revenues over Expenditures:		873,437	-40,455	403,982	4,307	-	90,425	188,770	149,344	-4,356
Other Increases in Fund Resources										
391-393, 596	Debt Proceeds	111,000	-	-	-	-	111,000	-	-	-
397	Transfers-In	355,000	-	-	-	355,000	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-	-	-	-	-	-
386 / 389	Custodial Activities	2,211	2,211.00	-	-	-	-	-	-	-
381, 382, 395, 398	Other Resources	995	995	-	-	-	-	-	-	-
Total Other Increases in Fund Resources:		469,206	3,206	-	-	355,000	111,000	-	-	-
Other Decreases in Fund Resources										
594-595	Capital Expenditures	1,908,550	52,516	390,483	3,655	-	1,369,605	64,430	24,206	3,655
591-593, 599	Debt Service	316,990	-	-	-	316,930	60	-	-	-
597	Transfers-Out	355,000	355,000	-	-	-	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-	-	-	-	-	-
586 / 589	Custodial Activities	60,184	-2,439	-	-	-	54,078	1,575	4,746	2,224
581, 582	Other Uses	-	-	-	-	-	-	-	-	-
Total Other Decreases in Fund Resources:		2,640,724	405,077	390,483	3,655	316,930	1,423,743	66,006	28,952	5,879
Increase (Decrease) in Cash and Investments:		-1,298,081	-442,326	13,499	652	38,070	-1,222,318	122,764	120,392	75,542
Ending Cash and Investments										
5081000	Reserved	574,778	4,318	273,917	73,101	-	207,844	-	-	15,599
5088000	Unreserved	4,714,401	1,690,807	-	-	40,718	-	1,402,114	973,453	607,309
Total Ending Cash and Investments		5,289,179	1,695,125	273,917	73,101	40,718	207,844	1,402,114	973,453	607,309

The accompanying notes are an integral part of this statement.

City of Algona
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

	Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	110 Park Impact Fund	205 General Obligation Bond Fund	306 Capital Improvement Fund	401 Stormwater Mgmt Fund	402 Water Maintenance Fund	403 Sewer Maintenance Fund	520 Unemployment Trust Fund
Beginning Cash and Investments										
30810 Reserved	1,947,098	4,217	234,290	63,048	-	1,625,759	-	-	-	19,784
30880 Unreserved	5,043,228	2,610,337	-	-	-	-	1,151,339	1,105,813	175,739	-
388 / 588 Net Adjustments	-	-	-	-	-	-	-	-309,924	309,924	-
Revenues										
310 Taxes	2,177,482	1,832,892	172,375	6,818	-	165,398	-	-	-	-
320 Licenses and Permits	250,926	239,216	11,510	-	-	200	-	-	-	-
330 Intergovernmental Revenues	2,053,035	129,554	943,211	-	-	970,000	10,271	-	-	-
340 Charges for Goods and Services	1,943,680	43,982	-	2,000	-	-	330,849	717,864	848,986	-
350 Fines and Penalties	89,458	56,433	-	-	-	-	-306	28,803	4,528	-
360 Miscellaneous Revenues	98,518	60,639	986	583	-	14,148	10,446	7,455	4,090	171
Total Revenues:	6,613,100	2,362,715	1,128,082	9,401	-	1,149,546	351,460	754,122	857,603	171
Expenditures										
510 General Government	509,168	509,168	-	-	-	-	-	-	-	-
520 Public Safety	1,462,499	1,462,499	-	-	-	-	-	-	-	-
530 Utilities	1,726,206	16,870	-	-	-	-	223,450	674,388	811,498	-
540 Transportation	350,456	-	350,456	-	-	-	-	-	-	-
550 Natural and Economic Environment	189,200	189,200	-	-	-	-	-	-	-	-
560 Social Services	842	842	-	-	-	-	-	-	-	-
570 Culture and Recreation	79,309	79,309	-	-	-	-	-	-	-	-
Total Expenditures:	4,317,680	2,257,888	350,456	-	-	-	223,450	674,388	811,498	-
Excess (Deficiency) Revenues over Expenditures:	2,295,420	104,828	777,626	9,401	-	1,149,546	128,010	79,734	46,106	171
Other Increases in Fund Resources										
391-393, 596 Debt Proceeds	2,889,000	-	-	-	-	2,889,000	-	-	-	-
397 Transfers-In	495,000	-	200,000	-	295,000	-	-	-	-	-
385 Special or Extraordinary Items	-	-	-	-	-	-	-	-	-	-
386 / 389 Custodial Activities	2,495	2,495	-	-	-	-	-	-	-	-
381, 382, 395, 398 Other Resources	-	-	-	-	-	-	-	-	-	-
Total Other Increases in Fund Resources:	3,386,495	2,495	200,000	-	295,000	2,889,000	-	-	-	-
Other Decreases in Fund Resources										
594-595 Capital Expenditures	5,060,506	30,826	951,498	-	-	4,055,620	-	22,563	-	-
591-593, 599 Debt Service	298,852	-	-	-	292,352	6,500	-	-	-	-
597 Transfers-Out	495,000	495,000	-	-	-	-	-	-	-	-
585 Special or Extraordinary Items	-	-	-	-	-	-	-	-	-	-
586 / 589 Custodial Activities	173,831	1,806	-	-	-	172,024	-	-	-	-
581, 582 Other Uses	-	-	-	-	-	-	-	-	-	-
Total Other Decreases in Fund Resources:	6,028,189	527,632	951,498	-	292,352	4,234,144	-	22,563	-	-
Increase (Decrease) in Cash and Investments:	-346,274	-420,309	26,128	9,401	2,648	-195,598	128,010	57,171	46,106	171
Ending Cash and Investments										
5081000 Reserved	1,787,237	4,254	260,418	72,449	-	1,430,161	-	-	-	19,956
5088000 Unreserved	4,856,815	2,189,990	-	-	2,648	-	1,279,349	853,060	531,768	-
Total Ending Cash and Investments	6,644,052	2,194,244	260,418	72,449	2,648	1,430,161	1,279,349	853,060	531,768	19,956

The accompanying notes are an integral part of this statement.

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

		Private-Purpose Trust
308	Beginning Cash and Investments	27,165
388 & 588	Net Adjustments	-
310-390	Additions	-
510-590	Deductions	-
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	27,165

The accompanying notes are an integral part of this statement.

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

		Private-Purpose Trust
308	Beginning Cash and Investments	27,866
388 & 588	Net Adjustments	-
310-390	Additions	4
510-590	Deductions	705
	Net Increase (Decrease) in Cash and Investments:	-701
508	Ending Cash and Investments	27,165

The accompanying notes are an integral part of this statement.

City of Algona
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Private-Purpose Trust
308	Beginning Cash and Investments	20,864
388 & 588	Net Adjustments	-
310-390	Additions	8,290
510-590	Deductions	1,288
	Net Increase (Decrease) in Cash and Investments:	7,002
508	Ending Cash and Investments	27,866

The accompanying notes are an integral part of this statement.

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

Note 1 - Summary of Significant Accounting Policies

The City of Algona was incorporated on September 12, 1955 and operates under the laws of the state of Washington applicable to a Code City. The City of Algona is a general purpose local government and provides public safety, street and road maintenance, parks, and recreation, health and social services, water and sewer service and general administration services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the 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

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

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.

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.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3 - Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. 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. The compensated absences liability for the year ended December 31, 2019 was \$114,700.

F. Long-Term Debt

See Note 5 - Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

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

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

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
002 - Drug Fund	\$ 4,318	Legally restricted for drug education
101 - Street Fund	\$ 146,078	For street operations based on restricted revenue sources
110 - Park Impact Fund	\$ 77,240	Park Levy funds
306 - Capital Improvement	\$ 1,032,540	Real Estate Excise Tax Revenues
621 - Unemployment Fund	\$ 15,778	Self - Insured
625 - Explorer Fund	\$ 27,165	Donations received for Explorer education/program

Note 2 – Budget Compliance

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

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

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

Fund/Department	Final Appropriated Expenditures	Actual Expenditures	Variance
001 - Current Expense			
Current Expense	3,515,825	2,813,946	701,879
Drug Fund	2,200	--	2,200
Contingency Fund	--	--	--
Total 001 - Current Expense	3,518,025	2,813,946	704,079
101 - Street Fund	514,705	746,099	(231,394)
110 - Park Impact Fund	--	--	--
205 - General Obligation Bond Fund	355,000	318,239	36,761
306 - Capital Improvement Fund	--	--	--
401 - Stormwater Mgmt Fund			
Stormwater Mgmt Fund	286,543	250,058	36,484
Stormwater Capt'l Improve Fund	--	--	--
Total 401 - Stormwater Mgmt Fund	286,543	250,058	36,484

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

402 - Water Maintenance Fund			
Water Maintenance Fund	1,006,536	702,568	303,967
Water Capt'l Improve Fund	--	--	--
Total 402 - Water Maintenance Fund	1,006,536	702,568	303,967
403 - Sewer Maintenance Fund			
Sewer Maintenance Fund	979,343	921,114	58,228
Sewer Capt'l Improve Fund	--	--	--
Total 403 - Sewer Maintenance Fund	979,343	921,114	58,228
621 - Unemployment Trust Fund	15,000	--	15,000
625 - Explorers Program Fund	10,000	--	10,000
TOTAL	6,685,150	5,752,024	933,126

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's legislative body.

The reported variance in expenditures represents residual fund balances. The City budgets for residual fund balances in its budget process.

Note 3 – Deposits and Investments

It is the City of Algona's policy to invest all temporary cash surpluses in the Local Government Investment Pool. The interest on these investments is prorated to the various funds.

The City is a voluntary participant in the Local Government Investment Pool (LGIP), 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 or online at www.tre.wa.gov.

At December 31, 2019, the City held a total of \$5,506,207 in the LGIP, none of which was held by the City on behalf of other local governments, individuals or private organizations.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City's deposits 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.

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

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

Note 4 - Property Tax

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

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

The City of Algona's regular levy for the year 2019 was \$1.23 per \$1,000 on an assessed valuation of \$582,509,640 for a total regular levy of \$716,058.

Note 5 – Long Term Debt

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	264,405	53,833	318,238
2021	270,830	47,408	318,238
2022	277,411	40,827	318,238
2023	284,152	34,086	318,238
2024	291,057	27,181	318,238
2025-2027	827,505	38,415	865,920
Totals	<u>2,215,360</u>	<u>241,751</u>	<u>2,457,111</u>

Note 6 – Other Post-Employment Benefits (OPEB) Plans

During the year ended December 31, 2019, the City 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 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City 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 retired member. As of December 31, 2019 the City's total OPEB liability was \$439,568, as calculated using the alternative measurement method. For the year ended December 31, 2019 the City paid \$11,864 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

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

Substantially all Algona’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 1, PERS 2, PERS 3, and LEOFF 1, 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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

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

At June 30, 2019 (the measurement date of the plans), the City’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	Responsibility Percentage	Net Pension Liability	Net Pension Asset
PERS 1	14,471	3,845,355,000	0.002018%	77,599	
PERS 1 UAAL	37,210	3,845,355,000	0.005189%	199,535	
PERS 2/3	54,740	971,340,000	0.006702%	65,099	
LEOFF 1		(1,976,611,000)	0.001046%		(20,675)
LEOFF 2	33,167	(2,316,693,000)	0.017989%		(416,750)
VFFRPF	60	(67,993,000)	0.030000%		(20,545)
				\$342,234	(457,970)

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.

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

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 8 – Risk Management

The city is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust

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

HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 9 - Other Disclosures

The Capital Improvement Fund includes a special item (increase to cash) of \$553,368. This item represents an overpayment of Real Estate Excise Tax revenue which was received in 2019 and refunded to King County in 2020. The refund will be reported as a special item (decrease to cash) on the 2020 financial statements.

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 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. The City did not experience any significant financial impact as a result of COVID-19.

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

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

Note 1 - Summary of Significant Accounting Policies

The City of Algona was incorporated on September 12, 1955 and operates under the laws of the state of Washington applicable to a Code City. The City of Algona is a general purpose local government and provides public safety, street and road maintenance, parks, and recreation, health and social services, water and sewer service and general administration services.

The City of Algona 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.
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- 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.

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.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. 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. The compensated absence liability for the year ended December 31, 2018 was \$109,112.

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 Council. When expenditures that meet reservations are incurred, the City of Algona intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
002 - Drug Fund	\$ 4,318	Legally restricted for drug education
101 - Street Fund	\$ 273,917	For street operations based on restricted revenue sources
110 - Park Impact Fund	\$ 73,101	Park Levy funds
306 – Capital Improvement	\$ 207,844	Real Estate Excise Tax Revenues
621 - Unemployment Fund	\$ 15,599	Self - Insured
625 - Explorer Fund	\$ 27,165	Donations received for Explorer education/program

Note 2 – Budget Compliance

The City of Algona adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund. 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 Expenditures	Actual Expenditures	Variance
001 - Current Expense			
Current Expense	3,307,470	2,924,672	382,798
Drug Fund	2,200	--	2,200
Contingency Fund	--	--	--
Total 001 - Current Expense	3,309,670	2,924,672	384,998
101 - Street Fund	973,750	708,597	265,153
110 - Park Impact Fund	--	3,655	(3,655)
205 - General Obligation Bond Fund	355,000	316,930	38,070
306 - Capital Improvement Fund	1,082,000	1,423,743	(341,743)
401 - Stormwater Mgmt Fund			
Stormwater Mgmt Fund	293,525	294,405	(880)

Stormwater Capt'l Improve Fund	50	--	50
Total 401 - Stormwater Mgmt Fund	293,575	294,405	(830)
402 - Water Maintenance Fund			
Water Maintenance Fund	880,625	710,087	170,538
Water Capt'l Improve Fund	--	--	--
Total 402 - Water Maintenance Fund	880,625	710,087	170,538
403 - Sewer Maintenance Fund			
Sewer Maintenance Fund	902,175	881,994	20,181
Sewer Capt'l Improve Fund	--	--	--
Total 403 - Sewer Maintenance Fund	902,175	881,994	20,181
621 - Unemployment Trust Fund	15,000	4,687	10,313
625 - Explorers Program Fund	15,000	705	14,295
TOTAL	7,826,795	7,269,475	557,320

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's legislative body.

The reported variance in expenditures represents residual fund balances. The City budgets for residual fund balances in its budget process.

Note 3 – Deposits and Investments

It is the City of Algona's policy to invest all temporary cash surpluses in the Local Government Investment Pool. The interest on these investments is prorated to the various funds.

The City is a voluntary participant in the Local Government Investment Pool (LGIP), 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 or online at www.tre.wa.gov.

At December 31, 2018, the City held a total of \$5,380,803 in the LGIP, none of which was held by the City on behalf of other local governments, individuals or private organizations.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution,

the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City’s deposits 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.

All investments are insured, registered or held by the City or its agent in the City’s name.

Note 4 - Property Tax

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

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

The City of Algona’s regular levy for the year 2018 was \$1.36 per \$1,000 on an assessed valuation of \$522,708,719 for a total regular levy of \$705,358.

Note 5 – Long Term Debt

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

The debt service requirement for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	258,133	60,106	318,239
2020	264,405	53,833	318,238
2021	270,830	47,408	318,238
2022	277,411	40,827	318,238
2023	284,152	34,086	318,238
2024-2027	1,118,562	65,596	1,184,158
Totals	2,473,493	301,857	2,775,350

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Algona’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 1, PERS 2, PERS 3, and LEOFF 1, 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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

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

At June 30, 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	Responsibility Percentage	Net Pension Liability	Net Pension Asset
PERS 1	13,834	4,466,034,000	0.002070%	92,447	
PERS 1 UAAL	30,824	4,466,034,000	0.004611%	205,929	
PERS 2/3	45,470	1,707,411,000	0.005893%	100,618	
LEOFF 1		(1,815,502,000)	0.001028%		(18,663)
LEOFF 2	31,153	(2,030,218,000)	0.017965%		(364,729)
VFFRPF	30.00	(52,844,000)	0.010000%		(7,737)
				\$398,993	(391,129)

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 City of Algona is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 8 - Other Disclosures

The City of Algona and the residents in the north region of the City are currently the effected party in a chemical contamination incident by the Boeing Company. The Dept. of Ecology, Department of Health, Boeing/Landau, and the City along with its contracted Environmental Engineer's (ICFI) are currently in the process of determining the method of clean-up.

The 2018 financial statements include a prior period adjustment of \$56,793 in the General Fund. This adjustment reflects a refund of B&O tax revenue related to 2014, 2015 and 2016 activity.

City of Algona
Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The City of Algona was incorporated on September 12, 1955 and operates under the laws of the state of Washington applicable to a Code City. The City of Algona is a general purpose local government and provides public safety, street and road maintenance, parks, and recreation, health and social services, water and sewer service and general administration services.

The City of Algona 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. 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.

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.

B. Basis of Accounting and Measurement Focus

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

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

C. Budgets

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

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

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

Fund/Department	Final Appropriated Expenditures	Actual Expenditures	Variance
001 - Current Expense			
Current Expense	3,029,459	2,785,520	243,939
Drug Fund	2,200	--	2,200
Contingency Fund	--	--	--
Total 001 - Current Expense	3,031,659	2,785,520	246,139
101 - Street Fund	1,515,571	1,301,954	213,617
110 - Park Impact Fund	--	--	--
205 - General Obligation Bond Fund	295,000	292,352	2,648

306 - Capital Improvement Fund	6,000,000	4,227,644	1,772,356
401 - Stormwater Mgmt Fund			
Stormwater Mgmt Fund	233,804	223,433	10,371
Stormwater Capt'l Improve Fund	--	17	(17)
Total 401 - Stormwater Mgmt Fund	233,804	223,450	10,354
402 - Water Maintenance Fund			
Water Maintenance Fund	758,467	696,951	61,516
Water Capt'l Improve Fund	--	--	--
Total 402 - Water Maintenance Fund	758,467	696,951	61,516
403 - Sewer Maintenance Fund			
Sewer Maintenance Fund	877,354	811,498	65,856
Sewer Capt'l Improve Fund	--	--	--
Total 403 - Sewer Maintenance Fund	877,354	811,498	65,856
621 - Unemployment Trust Fund	15,000	--	15,000
625 - Explorers Program Fund	5,000	1,288	3,712
TOTAL	12,731,855	10,340,657	2,391,198

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's legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. 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. Compensated absence liability for the year ended December 31, 2017 was \$116,541.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. 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 Council. When expenditures that meet reservations are incurred, the City of Algona intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
002 - Drug Fund	\$ 4,254	Legally restricted for drug education
101 - Street Fund	\$ 260,418	For street operations based on restricted revenue sources
110 - Park Impact Fund	\$ 72,449	Park Levy funds
306 – Capital Improvement	\$ 1,430,161	Real Estate Excise tax funds
621 - Unemployment Fund	\$ 19,956	Self - Insured
625 - Explorer Fund	\$ 27,866	Donations received for Explorer education/program

Note 2 – Deposits and Investments

It is the City of Algona’s policy to invest all temporary cash surpluses in the Local Government Investment Pool. The interest on these investments is prorated to the various funds.

The City is a voluntary participant in the Local Government Investment Pool (LGIP), 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 or online at www.tre.wa.gov.

At December 31, 2017, the City held a total of \$6,377,045 in the LGIP, none of which was held by the City on behalf of other local governments, individuals or private organizations.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City’s deposits 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.

All investments are insured, registered or held by the City or its agent in the City’s name.

Note 3- Property Tax

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

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

The City of Algona’s regular levy for the year 2017 was \$1.54 per \$1,000 on an assessed valuation of \$454,681,419 for a total regular levy of \$694,614.

Note 4 – Long Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for year ended December 31, 2017.

The debt service requirement for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	252,009	66,230	318,239
2019	258,133	60,106	318,239
2020	264,405	53,833	318,238
2021	270,830	47,408	318,238
2022	277,411	40,827	318,238
2023-2027	1,402,714	96,961	1,499,675
Totals	<u>2,725,502</u>	<u>365,365</u>	<u>3,090,867</u>

The entirety of this bond was not drawn down in 2017. The difference between outstanding principal on the schedule 9 and this table represents the portion that was left to be drawn down. This difference of \$111,000.00 will be drawn down in 2018.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Algona’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 1, PERS 2, PERS 3, and LEOFF 1, 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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
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Also, the DRS CAFR may be downloaded from the DRS website at 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 CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2017 (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	Responsibility Percentage	NPL	NPA
PERS 1	11,869	4,745,078,000	0.001973%	93,626	
PERS UAAL 1	27,389	4,745,078,000	0.004553%	216,043	
PERS 2/3	35,773	3,474,522,000	0.005857%	203,503	
LEOFF 1	--	(1,517,220,000)	0.001065%		(16,158)
LEOFF 2	29,142	(1,387,676,000)	0.018447%		(255,985)
VFFRPF	60	(37,100,000)	0.030000%		(10,401)
				\$ 513,167	\$(282,544)

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 6 - Risk Management

The City of Algona 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, 2017, 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 2017, 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.

The City self-insures its unemployment compensation risks on a reimbursable basis with the Washington State Employment Security Department. The City had zero claims paid in 2017. The City maintains a fund with restricted balances to meet potential unemployment claims.

Note 7 - Other Disclosures

The City of Algona and the residents in the north region of the City are currently the effected party in a

chemical contamination incident by the Boeing Company. The Dept. of Ecology, Department of Health, Boeing/Landau, and the City along with its contracted Environmental Engineer's (ICFI) are currently in the process of determining the method of clean-up.

The City of Algona awarded a bid for the construction of a new Community Center/City Hall. The bid was awarded to Lewis/Cutler Construction in the amount of \$4,204,000 before tax. Additional Change Orders are \$104,226 as of December 31, 2017. This building will be built in 2017, and utilized in March of 2018. The City entered into a bond issue with OPUS Bank for funding, in the amount of \$3,000,000. The City received additional grants from Department of Commerce in the amount of \$1,000,000, with the balance of the cost contributed by the City.

Legal Issues

In 2015 the City employed an individual in the position of interim Police Chief that was subsequently charged with theft. The trial was set for December 2017. The employee was found guilty and paid the City \$8,290, which was deposited into 625 – Explorer Fund.

Prior Period Adjustment

The 2017 financial statements include a prior period of adjustment of \$309,924 (increase) in the Sewer Maintenance Fund, which is offset by a decrease of the same amount in the Water Maintenance Fund. This corrects Sewer capital funds which were incorrectly included in the Water Maintenance Fund rather than the Sewer Maintenance fund in 2016 and prior.

City of Algona
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						
251.11	General Obligation Fund	12/1/2027	2,473,493	-	258,133	2,215,360
Total General Obligation Debt/Liabilities:			2,473,493	-	258,133	2,215,360
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		109,112	5,888	-	115,000
264.30	Pension Liability		398,996	-	56,762	342,234
264.40	OPEB Liability		-	439,568	-	439,568
Total Revenue and Other (non G.O.) Debt/Liabilities:			508,108	445,456	56,762	896,802
Total Liabilities:			2,981,601	445,456	314,895	3,112,162

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

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	General Obligation Fund	12/1/2027	2,614,502	111,000	252,009	2,473,493
	Total General Obligation Debt/Liabilities:		2,614,502	111,000	252,009	2,473,493
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		116,541	-	7,429	109,112
264.30	Pension Liability		513,178	-	114,185	398,993
	Total Revenue and Other (non G.O.) Debt/Liabilities:		629,719	-	121,614	508,105
	Total Liabilities:		3,244,221	111,000	373,623	2,981,598

City of Algona
Schedule of Liabilities
For the Year Ended December 31, 2017

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	General Obligation Bond 2017	12/1/2027	-	2,889,000	274,498	2,614,502
	Total General Obligation Debt/Liabilities:		-	2,889,000	274,498	2,614,502
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		73,702	42,839	-	116,541
264.30	Pension Liability		633,195	-	120,017	513,178
	Total Revenue and Other (non G.O.) Debt/Liabilities:		706,897	42,839	120,017	629,719
	Total Liabilities:		706,897	2,931,839	394,515	

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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- Email:
webmaster@sao.wa.gov