



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Ritzville

For the period January 1, 2019 through December 31, 2020

*Published February 7, 2022*

Report No. 1029842



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

February 7, 2022

Mayor and City Council  
City of Ritzville  
Ritzville, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

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## 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 Ritzville January 1, 2019 through December 31, 2020**

Mayor and City Council  
City of Ritzville  
Ritzville, 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 Ritzville, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 24, 2022.

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 9 of the 2020 and 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this 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 City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink, appearing to read "Pat McCrory". The signature is fluid and cursive, with the first name "Pat" and last name "McCrory" clearly distinguishable.

Olympia, WA

January 24, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **City of Ritzville** **January 1, 2019 through December 31, 2020**

Mayor and City Council  
City of Ritzville  
Ritzville, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the City of Ritzville, for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City'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 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 Ritzville 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 Ritzville, and its changes in cash and investments, for the years ended December 31, 2020 and 2019, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ritzville, as of December 31, 2020 and 2019, 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 9 of the 2020 and 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City 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 January 24, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

January 24, 2022

## **FINANCIAL SECTION**

### **City of Ritzville January 1, 2019 through December 31, 2020**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2020  
Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to Financial Statements – 2020  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2020  
Schedule of Liabilities – 2019

**City of Ritzville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>103 City Streets</b>	<b>110 Performing Arts/tourism</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	6,909,944	1,389,481	159,726	165,451
388 / 588	Net Adjustments	-	(12,277)	12,277	-
<b>Revenues</b>					
310	Taxes	1,385,260	1,179,332	96,250	89,646
320	Licenses and Permits	26,314	25,854	460	-
330	Intergovernmental Revenues	875,484	136,173	55,875	-
340	Charges for Goods and Services	1,829,569	72,020	-	-
350	Fines and Penalties	8,028	6,145	-	-
360	Miscellaneous Revenues	86,872	44,476	19,612	362
Total Revenues:		4,211,527	1,464,000	172,197	90,008
<b>Expenditures</b>					
510	General Government	270,964	270,964	-	-
520	Public Safety	514,651	512,575	-	-
530	Utilities	1,290,561	64,367	-	-
540	Transportation	186,916	1,153	185,763	-
550	Natural/Economic Environment	43,560	43,560	-	-
560	Social Services	3,410	3,410	-	-
570	Culture and Recreation	252,836	199,619	-	53,217
Total Expenditures:		2,562,898	1,095,648	185,763	53,217
Excess (Deficiency) Revenues over Expenditures:		1,648,629	368,352	(13,566)	36,791
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	333,267	40,000	150,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	14,843	3,223	3,203	-
Total Other Increases in Fund Resources:		348,110	43,223	153,203	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	888,192	6,682	52,794	78,945
591-593, 599	Debt Service	435,459	-	-	-
597	Transfers-Out	333,267	232,720	30,719	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	3,199	506	-	-
Total Other Decreases in Fund Resources:		1,660,117	239,908	83,513	78,945
<b>Increase (Decrease) in Cash and Investments:</b>		<b>336,622</b>	<b>171,667</b>	<b>56,124</b>	<b>(42,154)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,634,414	343,757	228,130	123,298
50841	Committed	-	-	-	-
50851	Assigned	5,295,051	888,008	-	-
50891	Unassigned	317,116	317,116	-	-
<b>Total Ending Cash and Investments</b>		<b>7,246,581</b>	<b>1,548,881</b>	<b>228,130</b>	<b>123,298</b>

The accompanying notes are an integral part of this statement.

**City of Ritzville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<b>301 Capital Improvement Program</b>	<b>304 Law Enforcement Contributions</b>	<b>305 Tree Board</b>	<b>307 Cemetery Reserve</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	152,708	1,783	8,482	108,220
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	20,032	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,224	-	-
340	Charges for Goods and Services	-	-	-	355
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,086	-	-	724
Total Revenues:		21,118	2,224	-	1,079
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	2,076	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,076	-	-
Excess (Deficiency) Revenues over Expenditures:		21,118	148	-	1,079
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	1,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	1,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	40,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	40,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>21,118</b>	<b>148</b>	<b>-</b>	<b>(37,921)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	173,827	1,931	8,482	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	70,300
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>173,827</b>	<b>1,931</b>	<b>8,482</b>	<b>70,300</b>

The accompanying notes are an integral part of this statement.

**City of Ritzville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<b>401 Water</b>	<b>403 Sanitation</b>	<b>408 Sewer</b>	<b>500 Equipment Rental &amp; Revolving</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,444,413	338,282	2,384,135	757,263
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	545,354	434	135,424	-
340	Charges for Goods and Services	760,160	388,076	608,958	-
350	Fines and Penalties	1,883	-	-	-
360	Miscellaneous Revenues	11,842	910	4,238	3,622
Total Revenues:		1,319,239	389,420	748,620	3,622
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	516,209	330,288	379,697	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		516,209	330,288	379,697	-
Excess (Deficiency) Revenues over Expenditures:		803,030	59,132	368,923	3,622
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	142,267
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	6,400	-	12	2,005
Total Other Increases in Fund Resources:		6,400	-	12	144,272
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	647,731	-	-	102,040
591-593, 599	Debt Service	236,606	-	198,853	-
597	Transfers-Out	13,483	-	16,345	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,693	-	-	-
Total Other Decreases in Fund Resources:		900,513	-	215,198	102,040
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(91,083)</b>	<b>59,132</b>	<b>153,737</b>	<b>45,854</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	128,900	397,415	228,674	-
50841	Committed	-	-	-	-
50851	Assigned	1,224,429	-	2,309,197	803,117
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>1,353,329</b>	<b>397,415</b>	<b>2,537,871</b>	<b>803,117</b>

The accompanying notes are an integral part of this statement.

**City of Ritzville**  
**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 Current Expense</b>	<b>103 City Streets</b>	<b>110 Performing Arts/tourism</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	648,686	93,918	95,798	179,081
30880	Unreserved	6,369,123	1,505,067	-	-
388 / 588	Net Adjustments	-	(257,477)	-	-
<b>Revenues</b>					
310	Taxes	1,382,283	1,158,233	98,268	111,630
320	Licenses and Permits	24,059	22,669	1,390	-
330	Intergovernmental Revenues	925,219	92,557	575,051	-
340	Charges for Goods and Services	1,871,847	56,920	1,438	-
350	Fines and Penalties	18,550	13,367	-	-
360	Miscellaneous Revenues	172,776	106,841	4,310	1,265
Total Revenues:		4,394,734	1,450,587	680,457	112,895
<b>Expenditures</b>					
510	General Government	373,882	373,882	-	-
520	Public Safety	516,812	516,812	-	-
530	Utilities	1,577,876	74,938	-	-
540	Transportation	194,337	5,226	189,111	-
550	Natural and Economic Environment	71,124	71,124	-	-
560	Social Services	3,253	3,253	-	-
570	Culture and Recreation	234,065	152,269	-	80,278
Total Expenditures:		2,971,349	1,197,504	189,111	80,278
Excess (Deficiency) Revenues over Expenditures:		1,423,385	253,083	491,346	32,617
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	247,730	19,000	150,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	2,706	2,706	-	-
381, 382, 395, 398	Other Resources	3,050	-	-	-
Total Other Increases in Fund Resources:		253,486	21,706	150,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	911,195	33,145	567,419	46,248
591-593, 599	Debt Service	621,087	14,968	-	-
597	Transfers-Out	247,730	178,730	10,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	4,749	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,784,761	226,843	577,419	46,248
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(107,890)</b>	<b>47,946</b>	<b>63,927</b>	<b>(13,631)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	920,332	162,144	159,726	165,451
5088000	Unreserved	5,989,593	1,227,318	-	-
<b>Total Ending Cash and Investments</b>		<b>6,909,925</b>	<b>1,389,462</b>	<b>159,726</b>	<b>165,451</b>

The accompanying notes are an integral part of this statement.

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

		<b>301 Capital Improvement Program</b>	<b>304 Law Enforcement Contributions</b>	<b>305 Tree Board</b>	<b>307 Cemetery Reserve</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	134,762	-	-	122,715
<b>Revenues</b>					
310	Taxes	14,152	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,841	5,000	-
340	Charges for Goods and Services	-	-	-	975
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,795	2,000	-	2,530
Total Revenues:		17,947	4,841	5,000	3,505
<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	-	-	1,518	-
Total Expenditures:		-	-	1,518	-
Excess (Deficiency) Revenues over Expenditures:		17,947	4,841	3,482	3,505
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,230	5,000	1,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	1,230	5,000	1,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	4,288	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	19,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	4,288	-	19,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>17,947</b>	<b>1,783</b>	<b>8,482</b>	<b>(14,495)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	152,708	-	-	-
5088000	Unreserved	-	1,783	8,482	108,220
<b>Total Ending Cash and Investments</b>		<b>152,708</b>	<b>1,783</b>	<b>8,482</b>	<b>108,220</b>

The accompanying notes are an integral part of this statement.

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

		<b>401 Water</b>	<b>403 Sanitation</b>	<b>408 Sewer</b>	<b>500 Equipment Rental &amp; Revolving</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	230,959	22,548	26,382	-
30880	Unreserved	1,638,020	266,205	2,197,435	762,396
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	249,770	-	-	-
340	Charges for Goods and Services	738,766	442,120	631,628	-
350	Fines and Penalties	5,183	-	-	-
360	Miscellaneous Revenues	22,196	3,398	13,792	12,649
Total Revenues:		1,015,915	445,518	645,420	12,649
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	840,703	395,990	266,245	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		840,703	395,990	266,245	-
Excess (Deficiency) Revenues over Expenditures:		175,212	49,528	379,175	12,649
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	71,500
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	3,050	-	-	-
Total Other Increases in Fund Resources:		3,050	-	-	71,500
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	170,814	-	-	89,281
591-593, 599	Debt Service	407,266	-	198,853	-
597	Transfers-Out	20,000	-	20,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	4,749	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		602,829	-	218,853	89,281
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(424,567)</b>	<b>49,528</b>	<b>160,322</b>	<b>(5,132)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	230,223	22,552	27,528	-
5088000	Unreserved	1,214,190	315,730	2,356,607	757,263
<b>Total Ending Cash and Investments</b>		<b>1,444,413</b>	<b>338,282</b>	<b>2,384,135</b>	<b>757,263</b>

The accompanying notes are an integral part of this statement.



**City of Ritzville**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

		<b>Total for All Funds (Memo Only)</b>	<b>Custodial</b>
308	Beginning Cash and Investments	27,429	27,429
388 & 588	Net Adjustments	-	-
310-390	Additions	7,189	7,189
510-590	Deductions	7,137	7,137
	Net Increase (Decrease) in Cash and Investments:	52	52
508	Ending Cash and Investments	27,478	27,478

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>Custodial</b>
308	Beginning Cash and Investments	23,856	23,856
388 & 588	Net Adjustments	-	-
310-390	Additions	16,769	16,769
510-590	Deductions	13,194	13,194
	Net Increase (Decrease) in Cash and Investments:	3,575	3,575
508	Ending Cash and Investments	27,429	27,429

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

City of Ritzville  
NOTES TO FINANCIAL STATEMENTS  
Year Ending December 31, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ritzville was incorporated in July of 1890 and operates under the laws of the State of Washington applicable to a second-class city with a mayor-council form of government. The City is a general-purpose government and provides general government services for law enforcement, fire protection, land use planning, parks and recreation, cemetery and transportation services associated with streets and roads. In addition, the city provides separate water, sewer, and garbage utility services.

The City of Ritzville 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 that are similar to the ending balance classifications 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 (Current Expense) Fund 001

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

#### Special Revenue Funds (100's)

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

#### Capital Projects Funds (300's)

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 (400's)

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

#### Internal Service Funds (500's)

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

#### FIDUCIARY FUND TYPES:

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

#### Custodial Funds

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

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

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

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

#### 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 year or more. Capital assets and inventory are recorded as capital expenditures when purchased.

#### E. Compensated Absences

Vacation pay may be accumulated up to 21 days per year and is payable upon separation, retirement, or death. Sick leave may accumulate up to a maximum of 720 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when

paid. Those employees hired before January 1, 1995 receive one half of accumulated sick leave upon resignation, retirement or death. As of December 31, 2020, there is one employee who was hired before 1/1/1995. Any employees hired after 1/1/95 do not receive sick leave payment at the time of retirement or death.

In January of 2001, the city amended its buy-out policy on sick leave for all employees. Sick leave buy-out is offered to all employees once a year to reduce the accumulated sick-leave liability of the city. A minimum of 480 hours will be maintained in the employees' sick leave bank and the employee may request a buy-out that equals one day of regular hourly pay for three days of sick leave (or .334) up to a maximum of 96 hours per year. The Clerk/Treasurer will notify all employees of how many hours from the previous year are eligible to be cashed in and the value of those hours in the first two weeks of January. The employee will tell the Clerk/Treasurer how much of the buy-out they will participate in, if any, by returning the Sick Leave Buy-out Form no later than January 20th. The buy-out if any will be included in the regular January payroll distribution. Payments of compensated absences are recognized as expenditures when paid.

F. Long-term Debt

See Note 6, Long-Term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or law. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of \$1,634,414 as of December 31, 2020 as follows:

	<b>Reserve Balance</b>	<b>Ending Balance</b>	<b>Restricted by</b>
001	Current	\$343,757	By resolution/ordinance
103	Streets	\$228,130	By resolution/ordinance
110	Tourism	\$123,298	Hotel/Motel Tax per RCW 67.28
301	Capital Improvement Program	\$173,827	REET per RCW 35.43.40
304	Law and Justice Contributions	\$1,931	By resolution/ordinance
305	Tree Board	\$8,482	By resolution/ordinance
401	Water	\$128,900	By resolution/ordinance
403	Sanitation	\$397,415	By resolution/ordinance
408	Sewer	\$228,674	By resolution/ordinance
	<b>Grand Totals</b>	<b>\$1,634,414</b>	

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Investments are reported at fair value. Deposits and investments by type at December 31, 2020 are as follows:

<b>Type of Deposit or Investment</b>	<b>City's Own Deposits and Investments</b>	<b>Deposits and investments held by the county as a custodian for other local governments, individuals or private organizations.</b>	<b>Total</b>
Bank Deposits	\$2,574,853	\$27,478	\$2,602,331
CD: Garbage Contract Bond	\$22,560	\$0	\$22,560
Money Market Accounts	\$1,862,476	\$0	\$1,862,476
Local Government Investment Pool	\$2,786,692	\$0	\$2,786,692
<b>Total</b>	<b>\$7,246,581</b>	<b>\$27,478</b>	<b>\$7,274,059</b>

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

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

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

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

**Custodial Credit Risk**

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

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

### **NOTE 3 – BUDGET COMPLIANCE**

#### **A. Budget**

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 Appropriation Amounts	Expenditures Budget Basis	Variance
001	Current Expense	\$2,146,106	\$1,354,872	\$791,234
103	Streets	\$1,339,233	\$269,276	\$1,069,957
110	Tourism	\$222,070	\$132,162	\$89,908
301	Capital Improvement Program	\$100,000	\$0	\$100,000
304	Law Enforcement Contributions	\$2,200	\$2,076	\$124
305	Tree Board	\$12,000	\$0	\$12,000
307	Cemetery Reserve	\$72,500	\$40,000	\$32,500
401	Water	\$5,251,418	\$1,835,166	\$3,416,252
403	Sanitation	\$543,004	\$330,241	\$212,763
408	Sewer	\$4,064,690	\$1,044,895	\$3,019,795
500	Equipment Rental	\$816,419	\$102,040	\$714,379
Grand Total		\$14,569,640	\$5,110,728	\$9,458,912

Budget basis differs from expenditures and other decreases in fund resources on the C4 due to certain intra-fund activity as show on the table below.

Fund/Department		C/4	Merge Transfers	Netted Transaction	Expenditures Budget Basis
001	Current Expense	\$1,335,330	\$19,542		\$1,354,872
103	Streets	\$269,276			\$269,276
110	Tourism	\$132,162			\$132,162
301	Capital Improvement Program	\$0			\$0
304	Law Enforcement Contributions	\$2,076			\$2,076
305	Tree Board	\$0			\$0
307	Cemetery Reserve	\$40,000			\$40,000
401	Water	\$1,416,723	\$412,581	\$5,862	\$1,835,166
403	Sanitation	\$330,241			\$330,241
408	Sewer	\$594,895	\$450,000		\$1,044,895
500	Equipment Rental	\$102,040			\$102,040
Grand Total		\$4,222,743	\$882,123	\$5,862	\$5,110,728

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 2020 budget amendment included the Law Enforcement Contributions Fund as it exceeded expenditures due the increase in revenue to purchase additional capital equipment and included the Water Revenue Debt Reserve fund due to closing the fund and transferring remaining amount to the water fund.

There are eleven funds that roll up to the 001 Current Expense fund (002, 003, 004, 006, 007, 105, 112, 120, 121, 122, and 215). There are five funds that roll up to the 401 Water fund (402, 410, 418, 419, and 424). There is one fund that rolls up to 403 fund (404) and lastly, there are two funds that roll up to the 408 Sewer fund (409 and 425).

In 2020, there are two funds that were closed. Please see note 10 other disclosures, letter A, for further information.

#### **NOTE 4 – INTERFUND TRANSACTIONS AND TRANSFERS**

Transfers in and out of individual funds for the year ended December 31, 2020 are as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
001 Current Expense	\$40,000.00	\$232,720.00
103 Streets	\$150,000.00	\$30,719.00
307 Cemetery Reserve	\$1,000.00	\$40,000.00
401 Water		\$13,483.00
408 Sewer		\$16,345.00
500 ER&R	\$142,267.00	
Total	\$333,267.00	\$333,267.00

Interfund transfers for combined funds for the Current Expense, water and sewer funds have been eliminated. Interfund transfers eliminated for the Current Expense were \$19,541.90, Water was \$412,581.27 and Sewer was \$450,000.

#### **Note 5 - PROPERTY TAX**

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

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

The city's regular levy for 2020 was \$2.92675306 per \$1,000 on an assessed valuation of \$114,597,690 for a total regular levy of \$340,892.



**NOTE 6 – LONG TERM DEBT**

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, 2020. The debt service requirements for general obligations bonds, revenue bonds and loans, including interest, are as follows:

Year(s)	Principal	Interest	Grand Total
2021	351,813	80,785	432,597
2022	355,036	74,699	429,735
2023	358,324	68,549	426,873
2024	361,679	62,332	424,011
2025	365,100	56,049	421,149
2026-2030	1,859,043	183,988	2,043,031
2031-2035	1,144,387	45,779	1,190,166
<b>Total</b>	<b>4,795,381</b>	<b>572,180</b>	<b>5,367,561</b>

**NOTE 7 - PENSION PLANS****A. State Sponsored Pension Plans**

Substantially all city 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 (LEOFF II, PERS I, or PERS II).

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

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

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

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

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](http://www.ofm.wa.gov).

At June 30, 2020, the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	<b>Employer Contributions</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1	\$20,425	0.002818%	\$99,491
PERS 2/3	\$33,614	0.003649%	\$46,669
LEOFF 1		0.001672%	-\$31,576
LEOFF 2		0.007538%	-\$153,764
VFFRPF	\$480	.0025%	\$87,080

#### **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**

#### **A. Risk Management**

The City of Ritzville is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2020, there are 193 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-

insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$2,147,814.

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

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

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2020, were \$2,651,954.

#### **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 13, 2020, Mayor Gary Cook issued a Proclamation of Emergency, declaring the COVID-19 pandemic to be an emergency in the City of Ritzville pursuant to Section 38.52.010 RCW and other relevant provisions of the state and federal law.

On March 20, 2020, the Ritzville City Council passed Resolution No. 2020-05 Ratifying Proclamation of Emergency and Providing Temporary Procedures to Respond to the COVID-19 Epidemic. The resolution includes the city's response to protecting the public and staff by minimizing the spread of COVID-19 by closing city hall to the general public on Monday, March 16, 2020. The adopted council procedures included all in-person committee meetings were cancelled, including the finance committee and those meetings would be held telephonically during the term of the resolution. Therefore, the resolution adopted the following budget restrictions:

- A. A hiring freeze is hereby implemented on all positions funded by any City governmental fund, unless the Mayor determines in writing by notice to City Council that the hire is necessary for the continued provision of essential services to the public.
- B. All non-essential equipment replacements are hereby suspended, unless the replacement is completely funded by grants, City enterprise utility funds or the Equipment, Revolving and Replacement (ER&R) fund.
- C. Council hereby encourages the expenditure of funds for acquiring any necessary technology to facilitate employees to work from home in situations where such remote work is possible, available, and approved by the Mayor and Department Head overseeing the relevant department. Any such expenditures should either be within current budget allocations or brought to Council for approval.
- D. All vouchers and payroll will be approved by the Clerk-Treasurer and Mayor to ensure vendors are paid.
- E. All staff time dedicated to emergency health responses related to the COVID-19 epidemic must be tracked to allow for FEMA reimbursement or any other federal and state program allocations.

While the city experienced a decrease in tax revenue, the city council addressed the reduction in the 2021 budget planning process as the decrease did not warrant emergency action such as utilizing reserves. The Clerk-Treasurer, Mayor, Finance Committee and City Council reviewed the decrease in tax revenue monthly to inform the reductions that need to be made in the 2021 budget. The sales and use tax experienced the largest decline while other taxes such as the liquor excise and marijuana tax experienced increases in revenue. Even with those increases, the budget did not include those increases. In 2020, the sales and use tax in the Current Expense fund was projected to have a -8.6% decline compared to 2019 taxes.

Management and City Council also made other decisions such as reviewing a request from Department Heads to consider a Cost-of-Living Adjustment (COLA) for city employees. The Clerk-Treasurer worked with the city's finance consultant who reviewed the city's history in providing a COLA. The review process included using the CPI-U as an indicator for a COLA increase. Since the 2020 CPI-U rate was .9% a COLA was not added to the wage scale as the city was absorbing a 4% increase in health insurance and also the need to balance the city's current expense fund budget due to the COVID19 pandemic.

At the time of writing this report, the sales tax revenue has increased by 8%, which is in line with the revenue received before the pandemic hit. The management and Finance Committee continue to review current revenues monthly and will do the same projections process again during the 2022 budget process.

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.

#### **NOTE 10 - OTHER DISCLOSURES**

##### **A. CLOSED FUNDS**

The city council approved closing the following funds in 2020.

<b>Fund #</b>	<b>Title</b>	<b>Transferred to Fund#</b>	<b>Title</b>
215	2007 G O Debt Service Fund	001	Current Expense
418	Water Revenue Debt Service	401	Water

##### **B. FUND REPORTING**

Reporting requirements only allow for one general fund and one enterprise fund that represents each of the respective proprietary activities. The city has rolled its various sub-funds into the appropriate fund classification to meet this reporting requirement.

The general fund of the city (Fund 001) consists of the following sub-funds: 002, 003, 004, 006, 007, 105, 112, 120, 121, 122, 215; the Water Utility consists of fund numbers 401, 402, 410, 418, 419, 424; and the Sewer Utility consists of fund numbers 408, 409, 423 and 425.

##### **C. LITIGATION**

The City currently has a case versus Kirby Hunt Construction Ltd/, Ohio Casualty & Surety Company., and Liberty Mutual Surety. Kirby Hunt was a general contractor on a well station project commissioned by the City in 2014, which was not completed. The City seeks delay damage and completion costs in this lawsuit. The City has accepted a settlement in the amount of seven hundred and fifty thousand dollars, which is currently being signed by all parties involved at the point this annual report was written.

City of Ritzville  
NOTES TO FINANCIAL STATEMENTS  
Year Ending December 31, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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- 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 (Current Expense) Fund 001

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

Special Revenue Funds (100's)

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

Capital Projects Funds (300's)

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 (400's)

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

Internal Service Funds (500's)

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

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

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 year or more. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation pay may be accumulated up to 21 days per year and is payable upon separation, retirement, or death. Sick leave may accumulate up to a maximum of 720 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Those employees hired before January 1, 1995 receive one half of accumulated sick leave

upon resignation, retirement or death. As of December 31, 2019, there is one employee who was hired before 1/1/1995. Any employees hired after 1/1/95 do not receive sick leave payment at the time of retirement or death.

In January of 2001, the city amended its buy-out policy on sick leave for all employees. Sick leave buy-out is offered to all employees once a year to reduce the accumulated sick-leave liability of the city. A minimum of 480 hours will be maintained in the employees' sick leave bank and the employee may request a buy-out that equals one day of regular hourly pay for three days of sick leave (or .334) up to a maximum of 96 hours per year. The Clerk/Treasurer will notify all employees of how many hours from the previous year are eligible to be cashed in and the value of those hours in the first two weeks of January. The employee will tell the Clerk/Treasurer how much of the buy-out they will participate in, if any, by returning the Sick Leave Buy-out Form no later than January 20th. The buy-out if any will be included in the regular January payroll distribution. Payments of compensated absences are recognized as expenditures when paid.

F. Long-term Debt

See Note 6, Debt Service Requirements

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or law. 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 \$920,332 as of December 31, 2019 as follows:

	Reserve Balance	Ending Balance	Restricted by
001	Current	\$162,144	By resolution/ordinance
103	City Streets	\$159,726	By resolution/ordinance
110	Tourism	\$165,451	Hotel/Motel Tax per RCW 67.28
301	Capital Improvement Program	\$152,708	REET per RCW 35.43.40
401	Water	\$230,223	By resolution/ordinance
403	Sanitation	\$22,552	By resolution/ordinance
408	Sewer	\$27,528	By resolution/ordinance
	<b>Grand Totals</b>	<b>\$920,332</b>	



**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

<b><u>Type of Deposit or Investment</u></b>	<b><u>City's Own Deposits and Investments</u></b>	<b><u>Deposits and investments held by the county as a custodian for other local governments, individuals or private organizations.</u></b>	<b><u>Total</u></b>
Bank Deposits	\$2,259,161	\$27,429	\$2,286,590
CD: Garbage Contract Bond	\$22,556	\$0	\$22,556
Money Market Accounts	\$1,859,187	\$0	\$1,859,187
Local Government Investment Pool	\$2,769,021	\$0	\$2,769,021
Total	\$6,909,925	\$27,429	\$6,937,354

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

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

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

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

**Custodial Credit Risk**

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

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

### **Note 3 – BUDGET COMPLIANCE**

#### **A. Budget**

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 Appropriation Amounts	Expenditures Budget Basis	Variance
001	Current Expense	\$2,178,466	\$1,440,440	\$738,026
103	Streets	\$787,022	\$766,530	\$20,492
110	Tourism	\$200,000	\$126,525	\$73,475
301	Capital Improvement Program	\$100,000	\$0	\$100,000
304	Law Enforcement Contributions	\$4,430	\$4,288	\$142
305	Tree Board	\$7,500	\$1,518	\$5,982
123	Cemetery Trust (307)	\$92,800	\$19,000	\$73,800
401	Water	\$3,353,450	\$1,491,013	\$1,862,437
403	Sanitation	\$531,200	\$395,990	\$135,210
408	Sewer	\$1,331,200	\$735,098	\$596,099
500	Equipment Rental	\$627,500	\$89,282	\$538,218
<b>Grand Total</b>		<b>\$9,213,568</b>	<b>\$5,069,687</b>	<b>\$4,143,881</b>

Budget basis differs from expenditures and other decreases in fund resources on the C4 due to certain intra-fund activity as show on the table below.

Fund/Department		C/4	Merge Transfers	Netted Transaction	Expenditures Budget Basis
001	Current Expense	\$1,424,347	\$16,100		\$1,440,447
103	Streets	\$766,530			\$766,530
110	Tourism	\$126,526			\$126,526
301	Capital Improvement Program	\$0			\$0
304	Law Enforcement Contributions	\$4,288			\$4,288
305	Tree Board	\$1,518			\$1,518
123	Cemetery Trust (307)	\$19,000			\$19,000
401	Water	\$1,443,532	\$50,000	-\$2,519	\$1,491,013
403	Sanitation	\$395,990			\$395,990
408	Sewer	\$485,098	\$250,000		\$735,098
500	Equipment Rental	\$89,281			\$89,281
<b>Grand Total</b>		<b>\$4,756,110</b>	<b>\$316,100</b>	<b>-\$2,519</b>	<b>\$5,069,687</b>

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 2019 budget amendment included the Law Enforcement Contributions Fund as it exceeded expenditures due the increase in revenue to purchase additional capital equipment.

There are 12 funds that roll up to the 001 Current Expense fund at the time the budget was developed (002, 003, 102, 112, 120, 121, 122, 122, 123, 215, 302, and 303). There are three funds that roll up to the 401 Water fund (402, 418, 424). Lastly, there is one fund that rolls up to the 408 Sewer fund (425).

In 2019, funds were reclassified, and the roll ups were adjusted accordingly. Please see note 9 other disclosures, letter A, for further funds reclassified information.

#### **NOTE 4 – INTERFUND TRANSACTIONS AND TRANSFERS**

Transfers in and out of individual funds for the year ended December 31, 2019 are as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
001 Current Expense	\$19,000	\$178,730
103 Streets	\$150,000	\$10,000
304 Law and Justice	\$1,230	
305 Tree Board	\$5,000	
307 Cemetery Reserve	\$1,000	\$19,000
401 Water		\$20,000
408 Sewer		\$20,000
500 ER&R	\$71,500	
<b>Total</b>	<b>\$247,730</b>	<b>\$247,730</b>

Interfund transfers for combined funds for the Current Expense, water and sewer funds have been eliminated. Interfund transfers eliminated for the Current Expense were \$16,100, Water was \$50,000 and Sewer was \$250,000.

#### **Note 5 - PROPERTY TAX**

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

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

The city's regular levy for 2019 was \$2.9675306 per \$1,000 on an assessed valuation of \$114,429.196 for a total regular levy of \$334,906.

**NOTE 6 - DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the city and summarizes the city's debt transitions for year ended December 31, 2019. The debt service requirements for general obligations bonds, revenue bonds and loans, including interest, are as follows:

<b>Year(s)</b>	<b>Principal</b>	<b>Interest</b>	<b>Grand Total</b>
2020	285,435	86,807	372,242
2021	351,813	80,785	432,597
2022	355,036	74,699	429,735
2023	358,324	68,549	426,873
2024	361,679	62,332	424,011
2025-2029	1,846,767	216,226	2,062,993
2030-2034	1,330,951	66,752	1,397,704
2035	190,811	2,837	193,648
<b>Total</b>	<b>5,080,816</b>	<b>658,987</b>	<b>5,739,803</b>

The City's general obligation debt bond title 2007 GO Bond was completed in 2019 as noted on the schedule 9. The DWSRF loans principal and interest have changed due to updates by the borrower Department of Health and draws that occurred on one of the loans. Please see Note 9 -Other Disclosures, letter D, Debt Balance Comparison for further information.

**NOTE 7 - PENSION PLANS****A. State Sponsored Pension Plans**

Substantially all city 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 (LEOFF II, PERS I, or PERS II).

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

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

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

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

As of June 30, 2019, the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	<b>Employer Contributions</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1	\$21,869	0.003050%	\$117,283
PERS 2/3	\$32,145	0.003936%	\$38,232
LEOFF 1		0.001636%	-\$32,337
LEOFF 2		0.007211%	-\$167,057
VFFRPF	\$480	.0024%	\$-164,358

#### **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.

#### **VFFRPF**

The VFFRPF pension reported in 2018 was inaccurate. The amount reported on the prior notes to financials was \$285 for liability and the amount should have been \$-123,792.

### **NOTE 8 - RISK MANAGEMENT**

#### **A. Risk Management**

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

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown,

and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,910,871.

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

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

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

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

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

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

## **NOTE 9 - OTHER DISCLOSURES**

### **A. FUNDS RECLASSIFIED**

The city's finance consultant reviewed fund classifications and identified reclassifying the following funds for 2019.

The following funds were reclassified to a 001 current expense sub fund.

<b>Old Fund #</b>	<b>Title</b>	<b>New Fund #</b>
102	Cemetery	004
303	City Memorial	006
635	PDA Agency Fund	007

The following fund was reclassified from capital project to a special revenue fund.

<b>Old Fund #</b>	<b>Title</b>	<b>New Fund #</b>
302	City Beautification-Hennings' Fund	105

The following fund was reclassified from a special revenue to a capital project fund.

<b>Old Fund #</b>	<b>Title</b>	<b>New Fund #</b>
123	Cemetery Trust	307

### **B. FUND REPORTING**

Reporting requirements only allow for one general fund and one enterprise fund that represents each of the respective proprietary activities. The city has rolled its various sub-funds into the appropriate fund classification to meet this reporting requirement.

The general fund of the city (Fund 001) consists of the following sub-funds: 002, 003, 004, 006, 007, 105, 112, 120, 121, 122, 215; the Water Utility consists of fund numbers 401, 402, 410, 418, 424; and the Sewer Utility consists of fund numbers 408, 409, 423 and 425.

### **C. BEGINNING BALANCE**

The following beginning balances are prior period adjustments due to reclassifying funds and how they rolled up to Fund 001 Current Expense in 2019:

<b>Fund Number</b>	<b>Title</b>	<b>Net Adjustments</b>	<b>Comments</b>
001	Current Expense	(257,477)	Funds 301 and 307 used to roll up to fund 001.
301	Capital Improvement Program	134,762	Fund no longer rolls up.
307	Cemetery Reserve	122,715	Fund no longer rolls up.

### **Split Reserve-Negative Beginning Cash Balance**

The Proprietary Reserve Fund 402 held reserve funds for water and sewer. The reserve was split in 2018 between Fund 402, renamed as Water Reserve, and fund 409 Sewer Reserve. Due to setting up the 409 Sewer Reserve fund, \$706,511.12 was transferred from fund 402 to fund 409 in 2018 resulting in a negative beginning cash balance of (\$13,422.67) for Fund 402 in 2019.

### **Unreserved Fund Updated to Reserved**

The 120 Police Drug Fund, which rolls up to the 001 Current Expense Fund was reported as unreserved fund in 2018. In 2019, the fund was report as a reserved fund. This change will show a difference in 2018 Ending reserved and unreserved to 2019 Beginning reserved and reserved in the amount of \$1,014.00.

### **D. DEBT BALANCE COMPARISON**

#### **Compensated Balances**

After a thorough review of the 2018 and 2019 compensated balances, the beginning balance of 2019 does not match the ending balance in 2018. The balance of 157,195 was corrected to **199,836**. The correction was found due to calculating the balances in a spreadsheet and comparing the numbers to the software system report. It was discovered the software's report was incorrect.

#### **DWSRF Loan #031 and Loan #032**

There were no reductions for the DWSRF loans in 2018 due to a delayed payment schedule as the loan transferred from Department of Commerce to Department of Health. The Health Services Consultant with Washington Department of Health (DOH) has provided the following updates to the two DWSRF loans as follows:

- For loan DM11-952-031, it was transferred to DOH from Commerce in January 2018 with a loan balance of \$1,383,325.65. DOH did not receive any repayments on this loan in 2018 so the ending balance as of 12/31/18 was **\$1,383,325.65**. For 2019, DOH received two payments totaling \$38,670.39 in interest and \$147,514.69 for principal. The ending balance for this loan as of 12/31/19 was \$1,235,810.96. The ending balance in 2018 reported on the schedule 9 was



correct at the time of the 2018 annual report until DOH provided an updated statement in 2019 with the 10/1/2018 draw which changed the 2018 ending balance to \$1,383,325.65.

- For loan DM11-952-032, it was transferred to DOH from Commerce in January 2018, with a loan balance of \$1,685,421.08. DOH received no payments on the loan in 2018 but issued a draw in the amount of \$98,479.28. The balance as of 12/31/18 was **\$1,754,356.58** and that includes the draw less 30% for forgiveness. For 2019, DOH received two payments with interest totaling \$45,835.82 and principal totaling \$175,245.28. DOH issued one draw for \$249,769.84 and the ending balance as of 12/31/19 was \$1,753,950.19. That ending balance considers the 30% forgiveness on the draw. The ending balance in 2018 reported on the schedule 9 was correct at the time of the 2018 annual report until DOH provided an updated statement in 2019 with the 10/1/2018 and 10/1/2019 draws which changed the 2018 ending balance to \$1,754,356.58.

ID No.	ID Name	Description	Prior Year's Ending Balance	Current Year's Beginning Balance	Difference
259.12	Compensated absences	Compensated Absences	157,195	199,836	-42,641
263.86	Loans and other obligations to other Washington local governments	DWSRF Loan	2,642,898	0	2,642,898
263.86	Loans and other obligations to other Washington local governments	DWSRF Loan #031	0	1,383,326	-1,383,326
263.86	Loans and other obligations to other Washington local governments	DWSRF Loan #032	0	1,754,357	-1,754,357
<b>Grand Total:</b>			<b>2,800,093</b>	<b>3,337,519</b>	<b>-537,426</b>

#### **E. COVID-19 Health Crisis**

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

The City of Ritzville Council approved resolution 2020-05 on March 20, 2020 to ratify the city's proclamation of emergency and provide temporary procedures to respond to the COVID-19 epidemic.

Section 4-Budget of the resolution reads as follows:

During the term of this Resolution, Council adopted the following budget restrictions:

- A. A hiring freeze was implemented on all positions funded by any City governmental fund, unless the Mayor determines in writing by notice to City Council that the hire is necessary for the continued provision of essential services to the public.
- B. All non-essential equipment replacements were suspended, unless the replacement is completely funded by grants, City enterprise utility funds or the Equipment, Revolving and Replacement (ER&R) fund.
- C. Council encouraged the expenditure of funds for acquiring any necessary technology to facilitate employees to work from home in situations where such remote work is possible, available, and approved by the Mayor and Department Head overseeing the relevant department. Any such expenditures should be either within current budget allocations or brought to Council for approval.
- D. All vouchers and payroll were approved by the Clerk-Treasurer and Mayor to ensure vendors are paid.
- E. All staff time dedicated to emergency health responses related to the COVID-19 epidemic is tracked to allow for FEMA reimbursement or any other federal and state program allocations.

The potential financial or operational impact on the government is being analyzed ongoing by the Mayor, Finance Committee, and Clerk-Treasurer and reported to the council at each meeting. At the end of April, the potential impact was a 15.5% decrease in tax revenue with a potential larger impact of 30% by the end of May and June. The long-term impact is unknown at this time depending on how long business are ordered to remain closed. The Clerk-Treasurer has developed cash flow spreadsheets and dashboard reports for the Finance Committee, council and Mayor to review at each meeting. The longer-term impact is being addressed further in the 2021 budget.

#### **F. LITIGATION**

The City currently has a case versus Kirby Hunt Construction Ltd/, Ohio Casualty & Surety Company., and Liberty Mutual Surety. Kirby Hunt was a general contractor on a well station project commissioned by the City in 2014, which was not completed. The City seeks delay damage and completion costs in this lawsuit. The lawsuit is still pending as of the submission date of this 2019 annual report.

**City of Ritzville**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2020**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.86	2008 DOE Loan	5/30/2027	39,938	-	5,069	34,869
263.86	2012 DOE Loan	9/30/2027	2,051,115	-	152,772	1,898,343
263.86	DWSRF Loan #031	10/1/2035	1,235,811	-	77,238	1,158,573
263.86	DWSRF Loan #032	10/1/2035	1,753,951	63,218	113,573	1,703,596
259.12	Compensated Absences		179,315	104,708	84,360	199,663
264.30	Pension Liabilities		155,515	-	9,356	146,159
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,415,645</b>	<b>167,926</b>	<b>442,368</b>	<b>5,141,203</b>
<b>Total Liabilities:</b>			<b>5,415,645</b>	<b>167,926</b>	<b>442,368</b>	<b>5,141,203</b>

**City of Ritzville**  
**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	2007 GO Bond	6/1/2019	14,606	-	14,606	-
	<b>Total General Obligation Debt/Liabilities:</b>		<b>14,606</b>	<b>-</b>	<b>14,606</b>	<b>-</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.86	2008 DOE Loan	5/30/2027	44,932	-	4,994	39,938
263.86	2012 DOE Loan	9/30/2027	2,200,864	-	149,749	2,051,115
263.86	DWSRF Loan #031	10/1/2035	1,383,326	-	147,515	1,235,811
263.86	DWSRF Loan #032	10/1/2035	1,754,357	174,839	175,245	1,753,951
259.12	Compensated Absences		199,836	83,593	104,114	179,315
264.30	Pension Liabilities		219,738	-	64,223	155,515
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>5,803,053</b>	<b>258,432</b>	<b>645,840</b>	<b>5,415,645</b>
	<b>Total Liabilities:</b>		<b>5,817,659</b>	<b>258,432</b>	<b>660,446</b>	<b>5,415,645</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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