



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Kettle Falls

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

Published July 14, 2022

Report No. 1030855



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

July 14, 2022

Mayor and City Council
City of Kettle Falls
Kettle Falls, Washington

Report on Financial Statements

Please find attached our report on the City of Kettle Falls financial statements.

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

Sincerely,

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

Pat McCarthy, State Auditor
Olympia, WA

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.

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on the Financial Statements	6
Financial Section.....	10
About the State Auditor's Office.....	41

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 Kettle Falls January 1, 2019 through December 31, 2020

Mayor and City Council
City of Kettle Falls
Kettle Falls, 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 Kettle Falls, 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 June 27, 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.

REPORT ON 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) as a basis for designing 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 above 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 or significant deficiencies may exist that were not identified.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 27, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Kettle Falls January 1, 2019 through December 31, 2020

Mayor and City Council
City of Kettle Falls
Kettle Falls, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Kettle Falls, as of and for the years then ended December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments 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.

Adverse Opinion on U.S. GAAP

In our opinion, because of the significance of the matter discussed below, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Kettle Falls, as of December 31, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of state law and the BARS manual. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material and pervasive.

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.

Matters of Emphasis

As discussed in Note 3 to the 2020 financial statements and Note 9 to the 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 3 to the 2020 financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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

June 27, 2022

FINANCIAL SECTION

City of Kettle Falls 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
Notes to Financial Statements – 2020
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Liabilities – 2019

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	103 Street Fund	106 Criminal Seizure and Forfeiture Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,583,209	347,044	146,263	8,055
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	872,425	789,487	81,977	-
320	Licenses and Permits	11,380	11,380	-	-
330	Intergovernmental Revenues	266,959	161,874	98,915	-
340	Charges for Goods and Services	1,663,588	90,994	35,891	-
350	Fines and Penalties	6,973	1,968	-	-
360	Miscellaneous Revenues	109,232	4,461	3,943	944
Total Revenues:		2,930,557	1,060,164	220,726	944
Expenditures					
510	General Government	242,582	242,582	-	-
520	Public Safety	515,917	515,917	-	-
530	Utilities	1,217,363	161	-	-
540	Transportation	118,996	-	118,996	-
550	Natural/Economic Environment	51,900	49,048	-	-
560	Social Services	6,898	6,898	-	-
570	Culture and Recreation	72,434	72,434	-	-
Total Expenditures:		2,226,090	887,040	118,996	-
Excess (Deficiency) Revenues over Expenditures:		704,467	173,124	101,730	944
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	255,183	-	-	-
397	Transfers-In	79,400	18,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	7,142	225	-	-
Total Other Increases in Fund Resources:		341,725	18,225	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	555,960	48,679	93,617	-
591-593, 599	Debt Service	554,490	1,738	4,333	-
597	Transfers-Out	79,400	39,400	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	225	225	-	-
Total Other Decreases in Fund Resources:		1,190,075	90,042	97,950	-
Increase (Decrease) in Cash and Investments:		(143,883)	101,307	3,780	944
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	233,562	172,887	46,654	8,998
50841	Committed	-	-	-	-
50851	Assigned	2,205,759	275,462	103,389	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		2,439,321	448,349	150,043	8,998

The accompanying notes are an integral part of this statement.

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

		140 Tourism Fund	200 Ltgo Bond Fund	401 Water Fund	410 Sewer Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,820	31,761	1,017,194	955,899
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	961	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	2,194	2,176
340	Charges for Goods and Services	-	-	604,170	742,771
350	Fines and Penalties	-	-	5,005	-
360	Miscellaneous Revenues	96	11,621	59,042	16,338
Total Revenues:		1,057	11,621	670,411	761,285
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	538,446	472,362
540	Transportation	-	-	-	-
550	Natural/Economic Environment	2,852	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,852	-	538,446	472,362
Excess (Deficiency) Revenues over Expenditures:		(1,795)	11,621	131,965	288,923
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	255,183	-
397	Transfers-In	-	61,400	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	61,400	255,183	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	(14,694)	341,951	70,610
591-593, 599	Debt Service	-	32,504	9,685	506,230
597	Transfers-Out	-	-	32,000	8,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	17,810	383,636	584,840
Increase (Decrease) in Cash and Investments:		(1,795)	55,211	3,512	(295,917)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	5,023	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	86,972	1,020,706	659,982
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		5,023	86,972	1,020,706	659,982

The accompanying notes are an integral part of this statement.

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

		420 Garbage Fund
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	70,173
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,800
340	Charges for Goods and Services	189,762
350	Fines and Penalties	-
360	Miscellaneous Revenues	12,787
Total Revenues:		<hr/> 204,349
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	206,394
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 206,394
Excess (Deficiency) Revenues over Expenditures:		(2,045)
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	6,917
Total Other Increases in Fund Resources:		<hr/> 6,917
Other Decreases in Fund Resources		
594-595	Capital Expenditures	15,797
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> 15,797
Increase (Decrease) in Cash and Investments:		<hr/> (10,925)
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	59,248
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 59,248

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Library Fund	103 Street Fund
Beginning Cash and Investments					
30810	Reserved	164,381	117,629	-	29,003
30880	Unreserved	2,281,022	228,925	42,244	(86,646)
388 / 588	Net Adjustments	(515)	-	-	-
Revenues					
310	Taxes	833,239	723,614	28,229	80,820
320	Licenses and Permits	17,375	17,375	-	-
330	Intergovernmental Revenues	666,361	102,272	-	564,089
340	Charges for Goods and Services	1,552,264	595	-	33,299
350	Fines and Penalties	16,534	2,464	-	-
360	Miscellaneous Revenues	124,567	7,792	3,128	2,794
Total Revenues:		3,210,340	854,112	31,357	681,002
Expenditures					
510	General Government	193,015	193,015	-	-
520	Public Safety	504,735	504,697	-	-
530	Utilities	1,187,702	23	-	-
540	Transportation	114,949	-	-	114,949
550	Natural and Economic Environment	25,628	21,407	-	-
560	Social Services	6,869	6,869	-	-
570	Culture and Recreation	78,108	46,714	31,394	-
Total Expenditures:		2,111,006	772,725	31,394	114,949
Excess (Deficiency) Revenues over Expenditures:		1,099,334	81,387	(37)	566,053
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	28,200	-	-	-
397	Transfers-In	78,400	11,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	13,087	6,288	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		119,687	17,288	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	753,607	91,606	9,779	357,813
591-593, 599	Debt Service	244,340	-	1,739	4,333
597	Transfers-Out	78,400	31,000	1,400	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	4,870	4,870	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,081,217	127,476	12,918	362,146
Increase (Decrease) in Cash and Investments:		137,804	(28,801)	(12,955)	203,907
Ending Cash and Investments					
5081000	Reserved	190,972	135,681	-	40,416
5088000	Unreserved	2,392,239	182,071	29,293	105,848
Total Ending Cash and Investments		2,583,211	317,752	29,293	146,264

The accompanying notes are an integral part of this statement.

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

		106 Criminal Seizure and Forfeiture Fund	140 Tourism Fund	200 Ltgo Bond Fund	401 Water Fund
Beginning Cash and Investments					
30810	Reserved	7,475	10,274	-	-
30880	Unreserved	-	-	6,253	1,091,621
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	576	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	559,294
350	Fines and Penalties	-	-	-	14,070
360	Miscellaneous Revenues	618	191	18,179	60,886
Total Revenues:		618	767	18,179	634,250
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	38	-	-	-
530	Utilities	-	-	-	544,148
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	4,221	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		38	4,221	-	544,148
Excess (Deficiency) Revenues over Expenditures:		580	(3,454)	18,179	90,102
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	28,200
397	Transfers-In	-	-	67,400	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	67,400	28,200
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	27,567	143,551
591-593, 599	Debt Service	-	-	32,504	13,180
597	Transfers-Out	-	-	-	36,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	60,071	192,731
Increase (Decrease) in Cash and Investments:		580	(3,454)	25,508	(74,429)
Ending Cash and Investments					
5081000	Reserved	8,055	6,820	-	-
5088000	Unreserved	-	-	31,761	1,017,194
Total Ending Cash and Investments		8,055	6,820	31,761	1,017,194

The accompanying notes are an integral part of this statement.

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

	410 Sewer Fund	420 Garbage Fund
Beginning Cash and Investments		
30810 Reserved	-	-
30880 Unreserved	911,944	86,681
388 / 588 Net Adjustments	-	(515)
Revenues		
310 Taxes	-	-
320 Licenses and Permits	-	-
330 Intergovernmental Revenues	-	-
340 Charges for Goods and Services	774,697	184,379
350 Fines and Penalties	-	-
360 Miscellaneous Revenues	18,471	12,508
Total Revenues:	793,168	196,887
Expenditures		
510 General Government	-	-
520 Public Safety	-	-
530 Utilities	437,206	206,325
540 Transportation	-	-
550 Natural and Economic Environment	-	-
560 Social Services	-	-
570 Culture and Recreation	-	-
Total Expenditures:	437,206	206,325
Excess (Deficiency) Revenues over Expenditures:	355,962	(9,438)
Other Increases in Fund Resources		
391-393, 596 Debt Proceeds	-	-
397 Transfers-In	-	-
385 Special or Extraordinary Items	-	-
386 / 389 Custodial Activities	-	6,799
381, 382, 395, 398 Other Resources	-	-
Total Other Increases in Fund Resources:	-	6,799
Other Decreases in Fund Resources		
594-595 Capital Expenditures	109,422	13,869
591-593, 599 Debt Service	192,584	-
597 Transfers-Out	10,000	-
585 Special or Extraordinary Items	-	-
586 / 589 Custodial Activities	-	-
581, 582 Other Uses	-	-
Total Other Decreases in Fund Resources:	312,006	13,869
Increase (Decrease) in Cash and Investments:	43,956	(16,508)
Ending Cash and Investments		
5081000 Reserved	-	-
5088000 Unreserved	955,899	70,173
Total Ending Cash and Investments	955,899	70,173

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	2,480
510-590	Deductions	2,480
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	-

The accompanying notes are an integral part of this statement.

CITY OF KETTLE FALLS

NOTES TO FINANCIAL STATEMENTS January 1, 2020 Through December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kettle Falls was incorporated in 1892 and operates under the laws of the state of Washington applicable to an optional code City. The City of Kettle Falls is a general purpose government and provides public safety, fire protection, street maintenance, parks and general administration. In addition, the City owns and operates water and sewer systems and provides garbage service.

The City of Kettle Falls 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 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 presented using classifications that are similar to the ending balance classification in GAAP.

A. FUND ACCOUNTING

Financial transactions of the City of Kettle Falls are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The City of Kettle Falls 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 (Fund No. 001)

This fund is the primary operating fund of the City of Kettle Falls. It accounts for all financial resources except those required or elected to be accounted for in another fund. The City of Kettle Falls adopts a budget for the general fund or commonly called the current expense fund.

Special Revenue Fund (Funds in the 100 series)

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. The City of Kettle Falls adopts budgets for the following special revenue funds:

101 – Library Fund
103 – Street
106 – Criminal Justice Seizure Forfeiture Fund
140 – Tourism

Debt Service Fund (Funds in the 200 series)

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. The City of Kettle Falls adopts budgets for the following debt service fund:

200 – LTGO Bond Fund 300 – Project Fund

PROPRIETARY FUND TYPES:

Enterprise Funds (Funds in the 400 series)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The City of Kettle Falls adopts budgets for the following enterprise funds:

401 – Water
410 – Sewer
420 – Garbage

FIDUCIARY FUND TYPES

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

635 – Custodial Fund

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 Kettle Falls also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 4 Deposits and Investments.

D. Capital Assets

Capital assets are assets with an individual cost of more than \$100 and an estimated useful life in excess of 2 years. The capital assets of the City of Kettle Falls are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 160 days and is payable upon separation or retirement. Sick leave may accumulate up to 720 hours. Upon retirement employees receive payment for unused sick leave equal to one third of accrued sick leave, not to exceed 192 hours. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, Long-Term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

General Fund	\$172,886.91	Restricted
\$151,711.82	This is the accumulated ½ cent REET Tax governed by RCW 35.43.40	
\$21,175.09	Library funds governed by RCW 27.12.240	

Street Fund	\$46,654.13	Restricted
\$46,654.13	Motor Vehicle tax governed by RCW 82.36.025.	

Criminal Justice		
Seizure Fund	\$8,998.24	Restricted
\$8,998.24	This amount is Criminal Justice funding which is regulated by RCW.	

Tourism Fund	\$5,023.48	Restricted
\$5,023.48	This amount is Hotel/Motel taxes which is regulated by RCW 67.28	

Grand Total Restricted Funds: \$233,562.76

NOTE 2 – BUDGET COMPLIANCE

The City of Kettle Falls adopts annual appropriated budgets for 19 funds. These budgets are appropriated at the fund level (except the general fund), where the budget is adopted at the

department level. The budget constitutes the legal authority for expenditures at the 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. Italicized lines indicate the use of managerial funds for ease of accounting. These amounts have been combined for presentation in the financial statements. Certain intrafund activity between managerial funds has been eliminated from the financial statements.

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$938,569.92	\$934,901.78	\$3,668.14
Police Reserve Fund	\$1,000.00	\$0.00	\$1,000.00
Current Exp. Reserve Fund	\$15,000.00	\$0.00	\$15,000.00
Fire Dept. Reserve Fund	\$30,000.00	\$0.00	\$0.00
Library Fund	\$40,025.00	\$33,058.81	\$6,966.19
Library Reserve Fund	\$9,400.00	\$9,138.00	\$262.00
Total General Fund	\$1,033,994.92	\$977,098.59	\$26,634.33
Street Fund	\$179,150.00	\$128,036.11	\$51,113.89
Street Reserve Fund	\$129,194.15	\$88,910.77	\$40,283.38
Total Street Fund	\$308,344.15	\$216,946.88	\$91,397.27
Criminal Seizure Forfeiture	\$2,250.00	\$0.00	\$2,250.00
Tourism Fund	\$6,600.00	\$2,852.48	\$3,747.52
LTGO Bond Fund	\$ 34,000.00	\$ 9,385.58	\$24,614.42
Project Fund	\$8,424.31	\$8,424.31	\$0.00
Water Fund	\$587,500.00	\$541,428.06	\$46,071.94
Water Connection Fund	\$76,000.00	\$746.00	\$75,254.00
Water Reserve Fund	\$617,000.00	\$379,906.98	\$237,093.02
Total Water Fund	\$1,280,500.00	\$922,081.04	\$358,418.96
Sewer Fund	\$469,000.00	\$442,824.91	\$26,175.09
Sewer Connection Fund	\$29,000.00	\$746.20	\$28,253.80
Sewer Reserve Fund	\$880,500.00	\$613,630.66	\$266,869.34
Total Sewer Fund	\$1,378,500.00	\$1,057,201.77	\$321,298.23

Garbage Fund	\$228,600.00	\$208,949.60	\$19,650.40
Garbage Reserve Fund	\$22,000.00	\$13,240.99	\$8,759.01
Total Garbage Fund	\$250,600.00	\$222,190.59	\$28,409.41
Grand Total	\$4,303,213.38	\$3,416,181.24	\$856,770.14

Budgeted amounts are authorized to be transferred between 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.

NOTE 3 – 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.

The City of Kettle Falls used grant money from the CARES Act to help our local businesses during the hardship of operating during COVID 19 restrictions. The City also authorized an inspirational video reminding citizens to wear masks which was also paid for by the CARES Act grant.

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

NOTE 4– DEPOSITS AND INVESTMENTS

Investments are reported at amortized cost. Deposits and investments by type as of December 31, 2020 are as follows:

Type of deposit or Investment	Kettle Falls own deposits & Investments	Deposits and Investments held by Kettle Falls	Total
Bank Deposit (checking)	\$466,591.69	\$0.00	\$466,591.69
Local Gov. Investment Pool	\$931,742.92	\$0.00	\$931,742.92
Money Market/Other	\$515,575.78	\$0.00	\$515,575.78
US Treasury Securities	\$525,411.61	\$0.00	\$525,411.61
TOTAL	\$2,439,321.20	\$0.00	\$2,439,321.20

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, P.O. Box 40200, Olympia, WA 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are a possession of an outside party. The city deposits and certificates of 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 (PDPC)

All investments are insured, registered or held by the city or its agent in the government's name. There are no investments held by the City of Kettle Falls as an agent for other local governments, individuals or private organizations.

NOTE 5 – LONG TERM DEBT

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Kettle Falls and summarizes the City of Kettle Fall's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation debt and revenue debt including both principle and interest, are as follows:

	GO Debt	GO Debt	GO Debt
	Principal	Interest	Total
2021	\$ 21,126.58	\$ 13,214.64	\$ 34,341.22
2022	\$ 23,204.01	\$ 11,037.21	\$ 34,241.22
2023	\$ 24,082.36	\$ 10,158.86	\$ 34,241.22
2024	\$ 24,967.95	\$ 9,273.27	\$ 34,241.22
2025	\$ 25,939.46	\$ 8,301.76	\$ 34,241.22
2026-2030	\$ 136,879.50	\$ 26,489.80	\$ 163,369.30
2031-2035	\$ 61,911.66	\$ 2,976.36	\$ 64,888.02
Total GO Debt	\$ 318,111.52	\$ 81,451.90	\$ 399,563.42
	Revenue Dept	Revenue Debt	Revenue Debt
	Principal	Interest	Total
2021	\$ 109,469.84	\$ 76,899.00	\$ 186,368.84
2022	\$ 302,244.79	\$ 68,622.43	\$ 370,867.22
2023	\$ 307,056.62	\$ 62,981.38	\$ 370,038.00
2024	\$ 311,960.67	\$ 57,608.12	\$ 369,568.79
2025	\$ 316,958.73	\$ 52,320.84	\$ 369,279.57
2026-2030	\$ 1,603,459.88	\$ 175,426.83	\$ 1,778,886.71
2031-2035	\$ 1,017,378.77	\$ 35,436.70	\$ 1,052,815.47
Total Revenue Debt	\$ 3,968,529.30	\$ 529,295.30	\$ 4,497,824.60
Grand Total	\$ 4,286,640.82	\$ 610,747.20	\$ 4,897,388.02
	Principal	Interest	Total Debt

At Fiscal year end the City of Kettle Falls had \$10,000 available in unused lines of credit.

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences.

The City of Kettle Falls recognizes compensated absences as liabilities. The City pays up to 192 hours of accrued sick leave. To be eligible to receive payment for sick leave, an employee must retire and be at least 62 years old. During 2020 no employees met these requirements. The following depicts liabilities as of December 31, 2020 for vacation and sick leave according to current personnel policies.

General Obligation – Non Public Works Employees

	Beginning Balance	Additions	Reductions	Ending Balance
2020	\$24,768	\$28,475.33	\$28,020.34	\$25,223.56

Revenue Liabilities – Public Works Employees

	Beginning Balance	Additions	Reductions	Ending Balance
2020	\$26,477	\$22,969.84	\$20,756.59	\$28,690.43

NOTE 6 - PENSION PLANS

Substantially all City of Kettle Falls police full time personnel and qualifying part-time employees participate in the following government retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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 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 98504-8380

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

The City of Kettle Falls 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, 2020 the City of Kettle Falls proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1		.002311%	81,591
PERS 2/3	\$27,868	.003025%	\$38,688
PSERS 2			
LEOFF 1			
LEOFF 2	\$11,373	.005814%	(\$118,597)
VFFRPF	\$ 690	.0036%	(\$125,177)

LEOFF Plan 2

The city of Kettle Falls 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.

A. Local Government Pension Plans

Substantially all City non police full time personnel and qualifying part-time employees participated in individual IRA's located in institutions of the employees choice through October 31, 2019. As of November 1, 2019 all eligible non law enforcement employees started participating in the Washington State Department of Retirement Systems choosing between PERS 2 and PERS 3 plans.

NOTE 7 - PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month. Property tax revenues are recognized when cash is received by the City of Kettle Falls. Delinquent taxes are considered fully collectable because a lien affixes to the property after taxes are levied.

The City's regular levy for 2020 was \$2.671119 per \$1,000 on an assessed valuation of \$108,769,005 for a total levy of \$290,534.98

NOTE 8 – RISK MANAGEMENT

The City of Kettle Falls 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, 2020, 103 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) 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 Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through Lexington Insurance Company and CHUBB in 2020, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, Lexington provides excess insurance up to \$50 million, and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

NOTE 9 – OTHER DISCLOSURES

In 2020 the Library Fund 101 was combined with the General Fund 001. Previous years a substantial portion of the fund was comprised of restricted or committed revenues during the library expansion project creating a foundation for a special revenue fund. In consideration of the project being completed and expected restricted resources to be less than 20%, the Library Fund was combined with the General Fund.

CITY OF KETTLE FALLS

NOTES TO FINANCIAL STATEMENTS January 1, 2019 Through December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kettle Falls was incorporated in 1892 and operates under the laws of the state of Washington applicable to an optional code City. The City of Kettle Falls is a general purpose government and provides public safety, fire protection, street maintenance, parks and general administration. In addition, the City owns and operates water and sewer systems and provides garbage service.

The City of Kettle Falls 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 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 classification defined in GAAP.

A. FUND ACCOUNTING

Financial transactions of the City of Kettle Falls are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The City of Kettle Falls 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 (Fund No. 001)

This fund is the primary operating fund of the City of Kettle Falls. It accounts for all financial resources except those required or elected to be accounted for in another fund. The City of Kettle Falls adopts a budget for the general fund or commonly called the current expense fund.

Special Revenue Fund (Funds in the 100 series)

These funds account for specific revenue sources that are restricted or committed expenditures for specified purposes of the government. The City of Kettle Falls adopts budgets for the following special revenue funds:

101 – Library Fund
103 – Street
106 – Criminal Justice Seizure Forfeiture Fund
140 - Tourism

Debt Service Fund (Funds in the 200 series)

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. The City of Kettle Falls adopts budgets for the following debt service fund:

200 – LTGO Bond Fund 300 – Project Fund

Capital Projects Fund (Funds in the 300 series)

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

300 – Project Fund

PROPRIETARY FUND TYPES:

Enterprise Funds (Funds in the 400 series)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The City of Kettle Falls adopts budgets for the following enterprise funds:

401 – Water
410 – Sewer
420 – Garbage

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 Kettle Falls 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 individual cost of more than \$100 and an estimated useful life in excess of 2 years. The capital assets of the City of Kettle Falls are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 160 days and is payable upon separation or retirement. Sick leave may accumulate up to 720 hours. Upon retirement employees receive payment for unused sick leave equal to one third of accrued sick leave, not to exceed 192 hours. Payments are recognized as expenditures when paid.

F. Long Term Debt

See Note 5, Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

General Fund	\$135,680.53	
\$135,680.53		This is the accumulated ½ cent REET Tax governed by RCW 35.43.40
Street Fund	\$40,416.21	
\$40,416.21		Motor Vehicle tax RCW 82.36.025 and projects identified by the 6 year
street		plan.
Criminal Justice		
Seizure Fund	\$8,054.95	
\$8,054.95		This amount is Criminal Justice funding which is regulated by RCW.
Tourism Fund	\$6,819.62	
\$6,819.62		This amount is Hotel/Motel taxes which is regulated by RCW 67.28
Grand Total Reserved Funds:	\$190,971.31	

H. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of the following:

1. Interfund transactions are classified as follows:

a. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City.

b. Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses."

c. Transfers of remaining balances when funds are closed are classified as residual equity transfers and reported as direct additions to or deductions from fund equity.

2. Non-Revenues and Non-Expenditures

The non-revenues and non-expenditures consist of:

1. Agency collections and disbursements

NOTE 2 – BUDGET COMPLIANCE

The City of Kettle Falls adopts annual appropriated budgets for 19 funds. These budgets are appropriated at the fund level (except the general fund), where the budget is adopted at the department level. The budget constitutes the legal authority for expenditures at the 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.

Italicized lines indicate the use of managerial funds for ease of accounting. These amounts have been combined for presentation in the financial statements. Certain intrafund activity between managerial funds has been eliminated from the financial statements. The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$909,619.62	\$825,201.00	\$84,418.62
Police Reserve Fund	\$500.00	\$0.00	\$500.00
Current Exp. Reserve	\$70,000.00	\$0.00	\$70,000.00
Fund			
Fire Dept. Reserve Fund	\$75,000.00	\$75,000.00	\$0.00
Total General Fund	\$1,055,119.62	\$900,201.00	\$154,918.62
Library Fund	\$37,625.00	\$34,557.68	\$3,070.32
Library Reserve Fund	\$8,400.00	\$9,754.58	\$45.42
Total Library Fund	\$46,025.00	\$44,312.00	\$3,115.74
Street Fund	\$167,450.00	\$123,668.37	\$43,781.63

Street Reserve Fund	\$387,000.00	\$353,426.63	\$33,573.37
Total Street Fund	\$554,450.00	\$477,095.00	\$77,355.00
Criminal Seizure Forfeiture	\$2,250.00	\$38.03	\$2,211.97
Tourism Fund	\$5,600.00	\$4,220.92	\$1,379.08
LTGO Bond Fund	\$34,000.00	\$32,503.22	\$1,496.78
Project Fund	\$28,500.00	\$27,567.12	\$932.88
Water Fund	\$617,817.00	\$593,020.71	\$24,796.29
Water Connection Fund	\$24,000.00	\$5,916.54	\$18,083.46
Water Reserve Fund	\$282,000.00	\$137,941.75	\$144,058.25
Total Water Fund	\$923,817.00	\$736,879.00	\$186,938.00
Sewer Fund	\$457,000.00	\$420,805.11	\$36,194.89
Sewer Connection Fund	\$25,500.00	\$3,860.54	\$21,639.46
Sewer Reserve Fund	\$823,500.00	\$324,546.35	\$498,953.65
Total Sewer Fund	\$1,306,000.00	\$749,212.00	\$556,788.00
Garbage Fund	\$212,700.00	\$207,129.42	\$5,570.58
Garbage Reserve Fund	\$18,000.00	\$13,065.35	\$4,934.65
Total Garbage Fund	\$230,700.00	\$220,194.77	\$9,102.49
Grand Total	\$4,186,461.62	\$3,192,223.06	\$994,238.56

Budgeted amounts are authorized to be transferred between 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Types of Investments	Kettle Falls Own Investments	Total
L.G.I.P	\$1,224,228.89	\$1,224,228.89
Other	\$1,358,980.11	\$1,358,980.11
TOTAL	\$2,583,209.00	\$2,583,209.00

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, P.o. Box 40200, Olympia, WA 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are a possession of an outside party. The city deposits and certificates of 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 (PDPC)

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

The City's investments are registered or held by the City of Kettle Falls or its agent in the City of Kettle Falls name. Investments are presented at cost. Investments by type as of December 31, 2019 are as follows:

There are no investments held by the City of Kettle Falls as an agent for other local governments, individuals or private organizations.

NOTE 4 - PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month. Property tax revenues are recognized when cash is received by the City of Kettle Falls. Delinquent taxes are considered fully collectable because a lien affixes to the property after taxes are levied.

The City's regular levy for 2019 was \$2.64342 per \$1,000 on an assessed valuation of \$103,569,659 for a total levy of \$273,778.74

NOTE 5 – DEBT SERVICE REQUIREMENTS

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

The debt service requirements for general obligation debt and revenue debt including both principle and interest, are as follows:

		GO Debt Principal	GO Debt Interest	GO Debt Total
2020	\$	20,880.27	\$ 13,344.44	\$ 34,224.71
2021	\$	22,354.73	\$ 11,886.49	\$ 34,241.22
2022	\$	23,200.80	\$ 11,040.42	\$ 34,241.22
2023	\$	24,079.03	\$ 10,162.19	\$ 34,241.22
2024	\$	24,964.47	\$ 9,276.75	\$ 34,241.22
2025-2029	\$	133,511.93	\$ 31,611.17	\$ 165,123.10
2030-2034	\$	91,327.97	\$ 6,181.69	\$ 97,509.66
Total GO Debt	\$	340,319.20	\$ 93,503.15	\$ 433,822.35

		Revenue Debt Principal	Revenue Debt Interest	Revenue Debt Total
2020	\$	158,978.02	\$ 74,471.84	\$ 233,449.86
2021	\$	280,511.28	\$ 69,625.25	\$ 350,136.53
2022	\$	285,232.62	\$ 65,049.88	\$ 350,282.50
2023	\$	290,044.45	\$ 59,664.01	\$ 349,708.46
2024	\$	294,948.50	\$ 54,545.93	\$ 349,494.43
2025-2029	\$	1,521,795.75	\$ 192,784.78	\$ 1,714,580.53
2030-2034	\$	1,224,552.53	\$ 53,497.55	\$ 1,278,050.08
2035-2039	\$	4,315.27	\$ 64.72	\$ 4,379.99
Total Revenue Debt	\$	4,060,378.42	\$ 569,703.96	\$ 4,630,082.38

	Principal	Interest	Total Debt
Grand Total	\$ 4,400,697.62	\$ 663,207.11	\$5,063,904.73

The City of Kettle Falls recognizes compensated absences as liabilities. The City pays up to 192 hours of accrued sick leave. To be eligible to receive payment for sick leave, an employee must retire and be at least 62 years old. During 2019 no employees met these requirements. The following depicts liabilities as of December 31, 2019 for vacation and sick leave according to current personnel policies.

Revenue Liabilities – Non Public Works Employees

	Beginning Balance	Additions	Reductions	Ending Balance
2019	\$19,101	\$21,594	\$15,927	\$24,768

Revenue Liabilities – Public Works Employees

	Beginning Balance	Additions	Reductions	Ending Balance
2019	\$20,168	\$18,579	\$12,270	\$26,477

NOTE 6 - PENSION PLANS

Substantially all City of Kettle Falls police full time personnel and qualifying part-time police employees participate in the following government retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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 financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS AFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

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

The City of Kettle Falls 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 City of Kettle Falls proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1			
PERS 2/3			
PSERS 2			
LEOFF 1			
LEOFF 2	\$10,035.73	.005443	(\$126,098)
VFFRPF	\$ 750.00	.0038	(\$256,810)

LEOFF Plan 2

The city of Kettle Falls 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.

A. Local Government Pension Plans

Substantially all City non police full time personnel and qualifying part-time employees participated in individual IRA's located in institutions of the employees choice through October 31, 2019. As of November 1, 2019 all eligible non law enforcement employees started participating in the Washington State Department of Retirement Systems choosing between PERS 2 and PERS 3 plans. Information regarding the City's allocation will not be available until June 30, 2020.

NOTE 7 – RISK MANAGEMENT

The City of Kettle Falls 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 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 8 - Other Disclosures

During the 2017-2018 audit an interfund transfer error was identified which effected the ending fund balance of the garbage fund (420) by \$515.55 in 2017 and 2018.

Schedule 09 for 2019 does not include \$4,800 remaining on a loan from Vision Municipal Solutions. This loan was paid in full in 2017 and should not have been reported in 2018.

NOTE 9 – Subsequent Events

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

The length of time these measures will be in place, and the full extent of the financial impact on the City of Kettle Falls is unknown at this time.

City of Kettle Falls
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.91	Banner Bank Loan - Energy Upgrade	12/1/2032	330,095	-	20,751	309,344
263.81	USDA Case #56033916001448	6/30/2026	10,224	-	1,454	8,770
Total General Obligation Debt/Liabilities:			340,319	-	22,205	318,114
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	DOE - L1000036	1/30/2033	3,722,586	-	364,285	3,358,301
263.88	PWTF PR08-951-060	7/1/2028	268,751	-	29,861	238,890
263.84	#DM 16-952-031 BNSF/HWY 395 Water Main	12/31/2035	69,044	255,183	4,315	319,912
259.12	Compensated Absences - Non Public Works	12/31/2020	24,768	28,475	28,020	25,223
259.12	Compensated Absences - Public Works	12/31/2020	26,477	22,970	20,757	28,690
264.30	WA State Department of Retirement	12/31/2020	-	120,279	-	120,279
263.52	NewTec LLC #78-388 Excavator	6/1/2021	64,400	-	13,000	51,400
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,176,026	426,907	460,238	4,142,695
Total Liabilities:			4,516,345	426,907	482,443	4,460,809

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.91	Banner Bank Loan - Energy Upgrade	12/1/2032	350,024	-	19,929	330,095
263.81	USDA Case #56033916001448	6/30/2026	11,638	-	1,414	10,224
Total General Obligation Debt/Liabilities:			361,662	-	21,343	340,319
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	DOE - L1000036	1/30/2033	3,841,727	-	119,141	3,722,586
263.88	PWTF PR08-951-060	7/1/2028	298,612	-	29,861	268,751
263.88	#DM 16-952-031 BNSF/HWY 395 Water Main	12/31/2019	48,792	28,200	7,948	69,044
259.12	Compensated Absences - Non Public Works	12/31/2019	19,101	21,594	15,927	24,768
259.12	Compensated Absences - Public Works	12/31/2019	20,168	18,579	12,270	26,477
263.52	NewTec LLC #78-388 Excavator	6/1/2021	-	73,500	9,100	64,400
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,228,400	141,873	194,247	4,176,026
Total Liabilities:			4,590,062	141,873	215,590	4,516,345

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.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov