



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Moses Lake

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

Published May 9, 2019

Report No. 1023701





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

May 9, 2019

Mayor and City Council
City of Moses Lake
Moses Lake, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting.

Background

The City Council, the Mayor, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions.

City management is responsible for designing, implementing and maintaining internal controls to ensure financial statements are prepared and fairly presented in accordance with generally accepted accounting principles (GAAP).

In our previous two audits, we reported findings related to weaknesses in controls over financial reporting that hindered the City's ability to produce accurate financial statements. The City experienced turnover in key finance and accounting positions, and changed its accounting software during this time. Although the City has taken steps to improve its financial reporting process, it has not corrected all deficiencies identified in previous audits.

Description of Condition

Government Auditing Standards requires the auditor to communicate material weaknesses as a finding. We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness:

- City management did not have a formal process to comprehensively evaluate the City's complete financial statements for accuracy, consistency across financial statements and disclosures, and compliance with the provisions of the State Auditor's Office *Budgeting, Accounting and Reporting System (BARS)* manual.
- The City allocates administrative costs in proportion to expenses of its funds. The City has not demonstrated this method approximates the actual costs of services received.
- City staff did not reconcile the City's bank statements during the year.

Cause of Condition

The City prepares multi-fund financial statements in accordance with GAAP. These financial statements are complex, and reporting requirements change frequently. The City has experienced turnover in its accounting staff over the past several years; at the same time, staff continued efforts to integrate a new financial reporting software system into the City's existing processes. As a result, staff members have not been able to dedicate sufficient time to evaluate consistent application of GAAP accounting or perform a comprehensive review for accuracy of financial reporting before submitting the statements to our Office.

Effect of Condition

We noted the following reporting errors during our audit. The City:

- Understated accounts receivable in its governmental funds by \$1,306,458 because it did not accrue tax revenue to the correct reporting period
- Classified \$310,000 in transfers incorrectly to its Equipment and Rental Revolving fund as charges for services revenue. Also, it incorrectly classified the transfers out as expenses in each of the five funds from which the transfers originated.
- Allocated \$770,390 in administrative expenses without assurance that its method approximates a fair and equitable allocation of costs. As such, we cannot determine whether service costs charged to proprietary funds are reasonable and supported.
- Overstated cash and investments by \$109,267

We also identified other, less-significant errors that we communicated to the City's management during the audit.

Recommendation

We recommend the City:

- Dedicate adequate resources for staff to comprehensively review the completed financial statements for consistency with reporting requirements and to perform other functions throughout the year that are necessary for the accuracy of the City's financial reports
- Develop a supported cost allocation plan to distribute administrative costs across City funds in an equitable manner
- Reconcile City bank statements to financial activity monthly, as required by the BARS manual

City's Response

The City takes very seriously its responsibility to produce accurate, meaningful financial statements. The 2016 audit had the same finding, and although we tried to correct most of the conditions at that time, we were not able to completely correct the condition.

In late 2017, both the Finance Director and the Accounting Manager retired, leaving even a larger gap in institutional knowledge and processes used to create the financial statements. As we were putting the 2017 CAFR together, the longest tenured employee in the Finance Department started in mid-2015, and had only minor parts in CAFR preparation—the Accounting Manager had done most of that job previously. As we went on, we also discovered that the software system that had been purchased to transfer the general ledger data into the CAFR had not been fully implemented, and there were Lotus 1-2-3 spreadsheets still being used for CAFR preparation. Unfortunately, with all of these hurdles, the financial statements did not get completed in time for a thorough review.

The new Finance Director had a solid background in municipal finance and CAFR preparation, and focused on the prior audit findings, including the administrative cost allocation. We developed a model that spread these costs proportionately over the base operating expenses of each fund, discounting transfers and other single transactions that may not require administrative resources. It is our opinion that this spreads the administrative costs fairly and equitably. This model was used for the 2017 financial statements—it was just not adopted as policy. We intend to document the methodology and adopt a cost allocation policy.

The Finance Director also noted that the GASB 33 tax revenue accrual was missing, but it was so late in the process that we didn't go back to correct it, since the presentation was consistent, and hadn't been applied since the pronouncement was effective in 2001. It was intended to be corrected in the 2018 financial statements. Unfortunately, the Gas Tax accrual was determined to be material to the Street fund, so we did make the modifications in the 2017 statements. Otherwise, the Finance Director was reviewing the statements almost at the same time as the auditors. We found many of the same issues as SAO, and communicated corrections to them as we went along. In 2018, we have scheduled to have a good draft available for review in advance of the time the records are transmitted to SAO.

We also addressed the lack of bank statement/cash reconciliation by hiring a retired bookkeeper on a temporary basis to go through the records and document the bank statement activity in the spring of 2018. There were some discrepancies identified, but it was difficult to pinpoint the exact amounts and times. We subsequently discovered that we had some transactions that created checks, but the

batches didn't post all the way through to the General Ledger, which left the book balance higher than the bank balance. These are harder to identify, as we have posting journals that indicate a transaction was completed, but it didn't end up in the transaction detail. We are staying current on the bank reconciliations.

We appreciate the good working relationship we have with the State Auditor's Office, and are trying to make improvements to our financial statement process to discover and correct errors before we finalize information for SAO.

Auditor's Remarks

We appreciate the City's commitment to resolving the conditions noted, and we will evaluate the City's corrective actions during our next audit.

Applicable Laws and Regulations

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

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

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

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

The *Budgeting, Accounting and Reporting System* (BARS) manual, 3.9.5, Interfund Activities, Overhead Cost Allocation, requires that the cost allocation process be guided by plan that describes how the organization will allocate costs reasonably and equitably across funds and departments.

RCW 43.09.210 Local government accounting – Separate accounts for each fund or activity, requires that all service rendered by one department, public improvement, undertaking, institution and public service industry to another, be paid for at its true and full value.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Moses Lake January 1, 2017 through December 31, 2017

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

Audit Period:	Report Ref. No.:	Finding Ref. No.:
2016	1019514	2016-001
Finding Caption: The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting.		
Background: The City is responsible for designing, implementing and maintaining internal controls to ensure financial statements are prepared and fairly presented in accordance with Generally Accepted Accounting Principles (GAAP). We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency and which resulted in several errors on the City's financial statements; <ul style="list-style-type: none">• City does not have a formal process to comprehensively evaluate the City's complete financial statements for accuracy, consistency across financial statements and disclosures, and compliance with the provisions of the State Auditor's Office <i>Budgeting, Accounting and Reporting System</i> (BARS) manual.• The City has not developed a supported cost allocation plan, which is required to demonstrate an equitable allocation of payroll-related expenses.• City management reviews new accounting standards issued by the Governmental Accounting Standards Board (GASB) but has not developed a formal written process to determine the applicability of these standards to the City's financial operations.• City staff did not reconcile the City's bank statements from April through November 2016, although they performed a reconciliation of the December 2016 bank statement as part of the City's year-end process.• City staff have not periodically assessed the useful lives of existing capital assets to determine if they match the City's formal depreciation schedule. Additionally, when the City adopts a new depreciation schedule, which includes updated useful lives, it does not apply these changes to existing assets.		

Status of Corrective Action:☐ Fully
Corrected☒ Partially
Corrected☐ Not Corrected☐ Finding is considered no
longer valid**Corrective Action Taken:**

The City has undertaken some initiatives to ensure better financial statement preparation:

- We have focused on training for the accounting staff, and two Accountants (with one having the primary assignment of preparing the financial statements) along with the new Finance Director attended the WFOA conference in the fall of 2017. In addition, the Finance Director attended the GFOA conference in the spring of 2018. We also participated in the GASB update seminar in January 2019, as well.*
- The City had used a 3rd party CAFR preparation software (CaseWare) in prior years, but it was not fully implemented. The software is designed to ensure that internal consistency is maintained throughout the different schedules. To help with those consistencies, we added more data into the software.*
- The Finance Director did a review of the financial statements before it was finalized and had some questions which resulted in corrections.*

The new Finance Director had experience with the issue regarding a supported cost allocation plan, and developed an allocation method that basically takes the administrative expenses and spreads it proportionally to the operating budgets. The 2017 financial statements included administrative allocation based on actual expenditures made in 2017.

Even though the City has implemented the training program noted above, we have not yet documented our analysis of changes in accounting standards in a formal written policy to determine the applicability of any GASB changes to the City of Moses Lake.

To address the deficiency in bank statement reconciliations, in the summer of 2018 the City hired a temporary staff to go through all the cash records and prepare reconciliations. We started in 2016, and went through all of 2016 and 2017 to the current month in 2018. This was completed after the cut-off date for 2017—any corrections were immaterial, and will be posted in 2018.

Estimates of useful life are made when the asset is placed in service, considering the type of asset with input from the operations managers. It would be impractical from an operations viewpoint to review the approximately 4,700 assets and make changes to the depreciation schedules. Depreciation is an estimate, and if the estimates are reasonable when placed in service, adjustments as described should be immaterial. Furthermore, it would take more resources than are available, both from the operations and finance perspectives, to continually modify estimates with no assurance that the new estimates are any more accurate than the original.

**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**

**City of Moses Lake
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Moses Lake
Moses Lake, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Moses Lake, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2019. As discussed in Note 17 to the financial statements, the 2017 financial statements have been restated to correct a misstatement.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

April 8, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Moses Lake January 1, 2017 through December 31, 2017

Mayor and City Council
City of Moses Lake
Moses Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Moses Lake, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit. We conducted our audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Moses Lake, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Street funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis – Correction of Prior Year Misstatement

As discussed in Note 17 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy
State Auditor
Olympia, WA

April 8, 2019

FINANCIAL SECTION

City of Moses Lake January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Reconciliation of the Governmental Funds Balance Sheet to the Government-wide

Statement of Net Position – 2017

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2017

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Government-wide Statement of Activities –
2017

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and
Actual – General Fund – 2017

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and
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Statement of Net Position – Proprietary Funds – 2017

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds –
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Statement of Cash Flows – Proprietary Funds – 2017

Statement of Net Position – Fiduciary Funds – 2017

Notes to the Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach
– 2017

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3,
LEOFF 1, LEOFF 2 – 2017

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2017

Schedule of Changes in Total Net Pension Liability and Related Ratios – 2017

Schedule of Funding Progress – 2017

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the City of Moses Lake, we offer readers of the City of Moses Lake's financial statement this narrative overview and analysis of the financial activities of the City of Moses Lake for the fiscal year ended December 31, 2017. The information presented here should be read in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are rounded to the nearest thousand.

FINANCIAL HIGHLIGHTS

- The assets of the City of Moses Lake exceeded its liabilities at the close of the most recent fiscal year by \$160,599 (net position). Of this amount, \$16,289 (unrestricted net positions) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$8,084.
- As of the close of the current fiscal year, the City of Moses Lake's governmental funds reported combined ending fund balances of \$8,876, an increase of \$3,064 from the prior year. The increase can be attributed to results of operations adding \$1,743 and a prior period adjustment to properly record non-exchange transactions (i.e. taxes) receivable at \$1,321.
- At the end of the current fiscal year, unassigned fund balance available to spend at the City's discretion for the general fund was \$4,645.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Moses Lake's basic financial statements. The City of Moses Lake's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Moses Lake's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City of Moses Lake's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Moses Lake is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Moses Lake that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Moses Lake include general government, public safety, highways and streets, engineering (i.e. public works), economic development, and culture and

recreation. The business-type activities of the City of Moses Lake include a water and sewer utility, sanitation (solid waste), storm water, ambulance and a non-commercial municipal airport.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Moses Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Moses Lake can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Moses Lake maintains ten governmental funds. The City's only major governmental fund as determined by GASB criteria is the General Fund. For reporting purposes the City has elected to present the street fund as a major fund. The General Fund and Street Fund are presented separately in the governmental funds balance sheet, and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the required supplementary information in this report.

The City of Moses Lake adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Moses Lake maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Moses Lake uses enterprise funds to account for its water and sewer utility, sanitation, storm water, ambulance, and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Moses Lake's various functions. The City of Moses Lake also uses internal systems to account for its fleet of vehicles, risk management, unemployment programs, building services, and computer services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility, sanitation, storm water, ambulance and airport as all are considered to be major funds of the City of Moses Lake. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the

resources of those funds are not available to support the City of Moses Lake's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information.

Required Supplementary Information. In addition to the basic financial statements and the accompanying notes this report also presents certain required supplementary information concerning infrastructure assets reported using the modified approach and pension plan funding.

The required supplementary information immediately follows the notes to the financial statements in the Basic Statements section of this report.

Combining Statements. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented in a separate section immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Moses Lake, assets exceeded liabilities by \$160,599 at December 31, 2017.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets (as restated)	\$ 10,370	\$ 7,554	\$ 22,545	\$ 20,571	\$ 32,915	\$ 28,125
Capital assets	70,392	71,208	85,139	85,025	155,531	156,233
Total assets	<u>80,762</u>	<u>78,762</u>	<u>107,684</u>	<u>105,596</u>	<u>188,446</u>	<u>184,358</u>
Total deferred outflows of resources	937	1,494	292	486	1,229	1,980
Long-term liabilities	8,610	9,790	9,357	10,954	17,967	20,744
Other liabilities	5,815	6,674	3,696	4,918	9,511	11,592
Total liabilities	<u>14,425</u>	<u>16,464</u>	<u>13,053</u>	<u>15,872</u>	<u>27,478</u>	<u>32,336</u>
Total deferred inflows of resources	1,218	124	378	42	1,596	166
Net position:						
Net investment in capital assets	63,143	63,239	77,544	74,491	140,687	137,730
Restricted	2,339	1,246	1,284	1,327	3,623	2,573
Unrestricted (as restated)	573	(819)	15,716	14,350	16,289	13,531
Total net position	<u>\$ 66,055</u>	<u>\$ 63,666</u>	<u>\$ 94,544</u>	<u>\$ 90,168</u>	<u>\$ 160,599</u>	<u>\$ 153,834</u>

The largest portion of the City of Moses Lake's net position (88%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Moses Lake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Moses Lake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Moses Lake's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net positions (10%) may

be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Moses Lake is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. There is a deficit in unrestricted net position in the governmental funds because the City has long-term commitments that are greater than currently available resources, primarily long-term citywide pension benefits and other post-employment benefit liabilities. Refer to the notes to the financial statements for a more in-depth discussion of pension and other long-term liabilities. The City continues to invest in its infrastructure and other capital assets as the local economy improves.

Statement of Changes in Net Position

The changes in net position table indicates the increases or decreases in net position of the city resulting from its operations. The City's total net position increased by \$6,766 in 2017. The increase after transfers was split among an increase in governmental \$2,388 and an increase in business-type activities \$4,375.

The following is a summarized version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position in table form for the governmental activities autonomous from the business-type activities for 2017.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenue						
Charges for service	\$ 4,947	\$ 6,292	\$ 18,390	\$ 17,521	\$ 23,337	\$ 23,813
Operating grants and contributions	405	65	-	-	405	65
Capital grants and contributions	331	680	761	1,563	1,092	2,243
General Revenue						
Property taxes	6,811	7,595	-	-	6,811	7,595
Sales taxes (as restated)	7,425	6,535	-	-	7,425	7,856
Business taxes	4,905	4,099	-	-	4,905	4,099
Other taxes	-	-	-	-	-	-
Other	380	268	130	224	510	492
Total revenues	25,204	25,534	19,281	19,308	44,485	46,163
Expenses:						
General government	2,358	3,165	-	-	2,358	3,165
Public safety	9,071	9,079	-	-	9,071	9,079
Public works	1,556	1,616	-	-	1,556	1,616
Transportation	3,152	2,773	-	-	3,152	2,773
Culture & recreation	5,607	5,680	-	-	5,607	5,680
Economic environment	1,148	1,146	-	-	1,148	1,146
Interest on long-term debt	350	380	-	-	350	380
Water/server utility	-	-	7,619	7,284	7,619	7,284
Sanitation	-	-	3,904	3,606	3,904	3,606
Ambulance	-	-	2,158	2,338	2,158	2,338
Airport	-	-	54	51	54	51
Storm water	-	-	745	808	745	808
Total expenses	23,242	23,839	14,480	14,087	37,722	37,926
Increase in net position before transfers	1,962	1,695	4,801	5,221	6,763	8,237
Transfers	426	426	(426)	(426)	-	-
Change in net position	2,388	2,121	4,375	4,795	6,763	8,237
Net position 01/01	62,346	61,055	90,169	85,371	152,515	145,105
Prior Period Adjustments **	1,321	171	-	-	1,321	171
Change in Accounting Principles *	-	319	-	-	-	319
Net position 12/31	\$ 66,055	\$ 63,666	\$ 94,544	\$ 90,167	\$ 160,599	\$ 153,833

*The City had a change in accounting principal due to the implementation of GASB 73, in 2016.

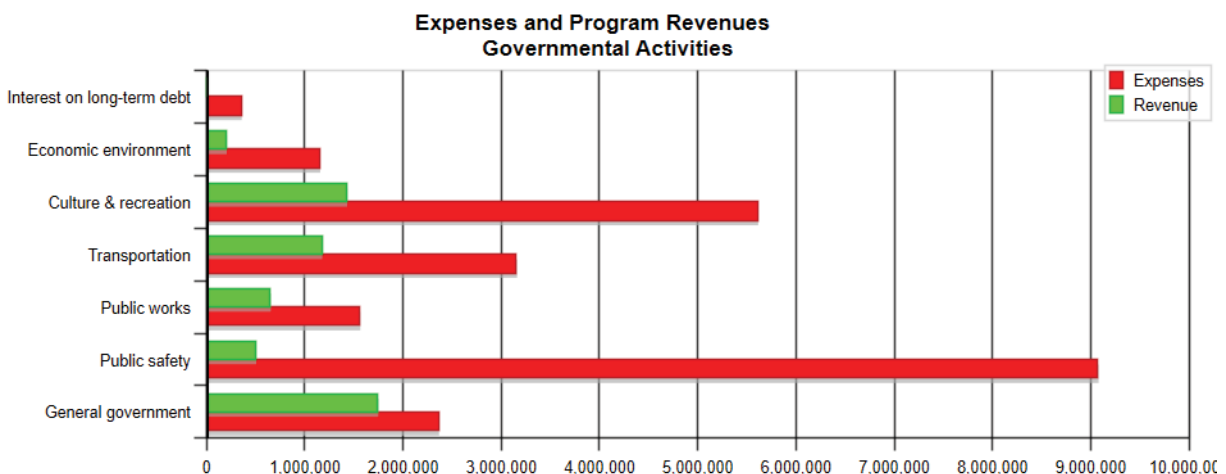
**The City had prior period adjustments for the Street Fund in 2016. In 2017 the City corrected an underreporting of non-exchange

taxes receivable.

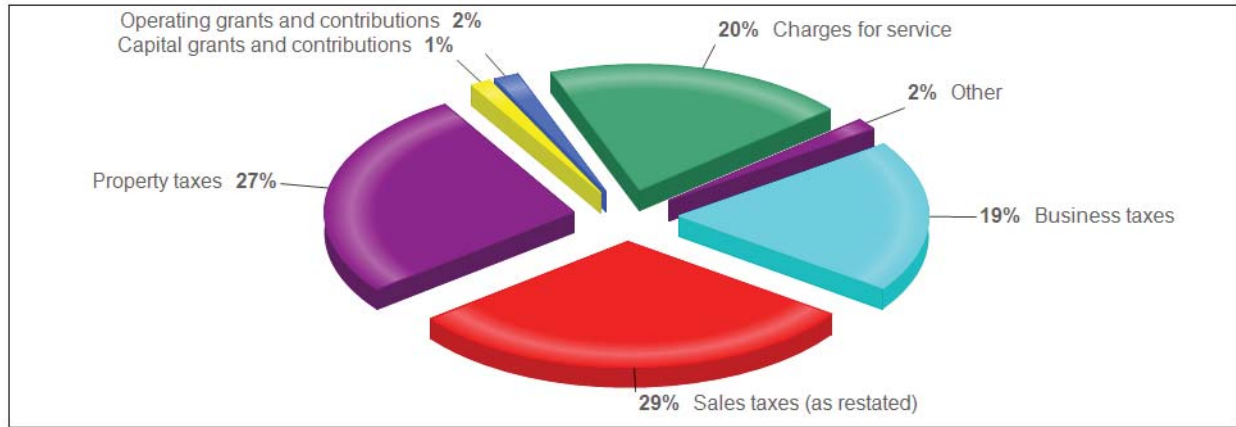
Governmental activities. Governmental activities increased the City of Moses Lake's net position by \$2,388. As shown in the Statement of Activities, \$5,683 of the total cost was paid for by either those directly benefitting from the programs or by governments and organizations that subsidized certain programs through grants and contributions. Key elements of this increase are as follows:

- The decrease (\$784) in property taxes was due largely to a significant increase in 2016 resulting from a court ruling against the largest property taxpayer for back taxes owed. Absent this one time variance, property taxes grew about 3.5%, with 1% related to the statutory levy limit, and 2.5% attributable to new construction.
- The increase in sales taxes (\$890) was attributable to continued growth in retail sales and the local economy with the addition of new retail businesses, coupled with strong construction activity.
- Business taxes experienced growth of (\$806) primarily due to Council approving an increase in taxes on the city-owned utilities from 8% to 10% effective January 1, 2017.

Total expenses for governmental activities remained relatively flat as the City maintained its programs.

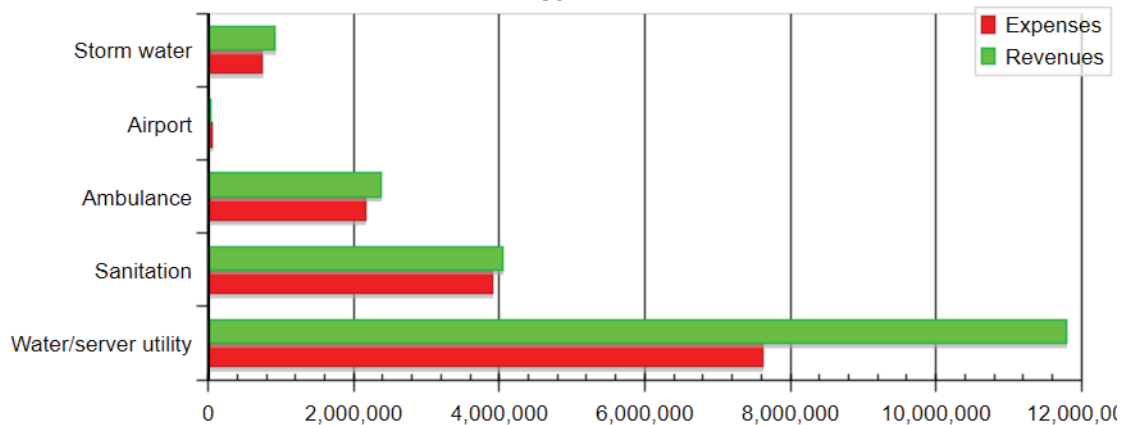


Revenues by Source - Governmental Activities

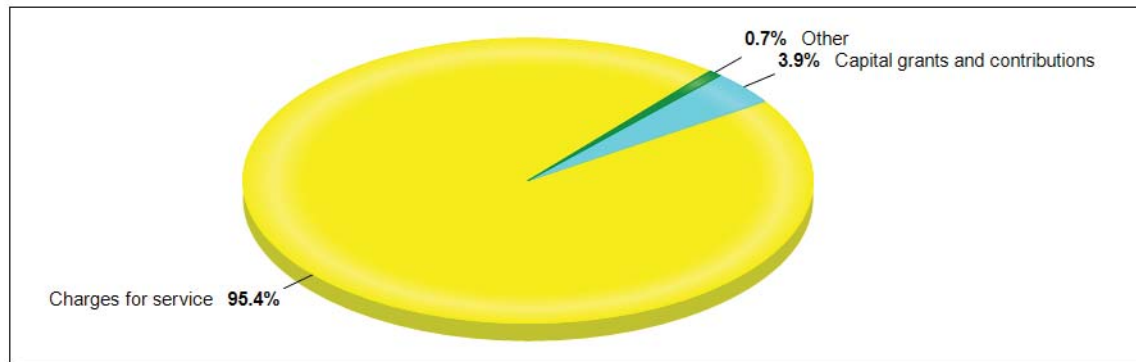


Business-type activities. Total net positions of business-type activities increased by \$4,375 for the year. Of the \$19,281 in business type revenue, 95% was provided by charges for services, with the remainder coming from capital grants and contributions as well as investment earnings. CPI related increases in rates were adequate to cover ongoing program costs, and add to the net position as investments were made in infrastructure.

Expenses and Program Revenues Business-type Activities



Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Moses Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Moses Lake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Moses Lake's financing requirements.

As of the end of the current fiscal year, the City of Moses Lake's governmental funds, which includes debt service funds, capital projects funds, and special revenue funds had an ending fund balance of \$8,876, an increase of \$3,064 in comparison with the prior year. It is partly made up of unassigned fund balance (\$4,645), which is available for spending at the government's discretion. The remainder of fund balance is separated into different categories. Nonspendable fund balance consists of inventories and other prepaid expenses \$(220). \$2,276 is restricted for public safety, tourism, and parks capital programs along with debt service. \$1,063 is committed for public safety pensions, museum programs, and transportation improvements; and \$672 is assigned for street operations.

The General Fund is the chief operating fund of the City of Moses Lake. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,645 while the total fund balance was at \$5,126. The street fund is a special revenue fund to account for the state per capita distribution of gas tax. The cities ongoing maintenance of streets and alleys, traffic control, and electrical street lighting is included in this fund which had a total balance of \$741.

The fund balance of the City of Moses Lake's General Fund increased by \$527 during the current fiscal year and the Street Fund increased by \$151. Key factors in the changes are as follows:

- The contribution from General Fund to the Street Fund increased by (\$184) because of the City's commitment to shore up the Street fund balance for operating contingencies, such as a heavy snow year or equipment needs.
- As previously noted, sales tax increased by \$ 890 because of new retail business and construction activity, and an increase in the tax rate charged to the city-owned utilities from 8% to 10%, to enhance public safety programs resulting in a revenue increase of \$806.

- Public Safety experienced expenditure growth of \$338 or 3.7% as the City began to address some deferred equipment replacement.

Proprietary funds. The City of Moses Lake's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds are those funds that account for government operations where the intent is for the costs to be paid primarily by user charges. Enterprise funds are those that provide services predominantly to external users and the internal service funds provide service principally to other City operations. The funds consist of five enterprise funds, and five internal service funds.

Unrestricted fund balance of the Water and Sewer Utility at the end of the year amounted to \$12,068, which makes up 91% of the total net positions for all enterprise funds. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Moses Lake's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original compared to final budget

The final revenue budget for the General Fund did not differ from the original budget while expenditures were \$5 higher than the original, to fund a mid-year increase in public safety pensions.

Actual results compared to final budget

General fund revenues were over final amended budget by \$2,771 (14%) and expenditures less by \$211(1%). The General Fund budget is built assuming positive variances in both revenue and expenditures. Revenue is conservatively estimated, while expenditure estimates utilize highest probable costs. Because of the strong growth in sales and utility taxes, and strong collection of the property tax levy, the revenues had a large positive variance. Because the revenue was strong, the operations were encouraged to spend on deferred capital, maintenance and technology within the constraints of the total budget. The net effect was an increase in General Fund balance of \$502.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, aquatic facilities, and streets, including construction in progress on buildings and systems. The total investment for its governmental and business-type activities as of December 31, 2017 amounts to \$155,529 (net of accumulated depreciation).

Governmental Activities: Capital assets from governmental activities decreased \$817 from \$71,208 in 2016 to \$70,391 in 2017. Even though the City invested in infrastructure, facilities and rolling stock, current year depreciation for all assets exceeded the amount spent on new capital items in 2017.

City of Moses Lake's Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and land improvements	\$ 5,561	\$ 5,561	\$ 1,273	\$ 1,273	\$ 6,834	\$ 6,834

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Buildings and other improvements	20,234	21,068	27,288	28,097	47,522	49,165
Machinery and equipment	5,085	4,902	3,296	3,023	8,381	7,925
Infrastructure	39,511	39,469	51,903	52,141	91,414	91,610
Construction in Progress	-	208	1,378	491	1,378	699
Total assets	<u>\$ 70,391</u>	<u>\$ 71,208</u>	<u>\$ 85,138</u>	<u>\$ 85,025</u>	<u>\$ 155,529</u>	<u>\$ 156,233</u>

Additional information on the capital assets of the City of Moses Lake can be found in Note 5.

Infrastructure. The City of Moses Lake has elected to use the modified approach as defined by GASB statement 34 for reporting its streets, alleys, bike paths, parking lots, bridge, storm drains, catch basins, dry wells and piping. The City has made a commitment to preserve and maintain the street infrastructure at an acceptable condition rather than recording depreciation. The rating scales for paved streets, bridge and storm water system are further explained in the required supplementary information, which follows the notes to the basic financial statements.

The City's engineering department evaluates the condition that paved streets are kept based on a formula established by a street assessment program. The formula is calculated using 8 different criteria applied to all paved streets from one intersection to another. Among the criteria is depths and lengths of cracks, sags and humps, and patching. From the inputting of the information the system evaluates all criteria and produces a rating. The condition assessment is taken at least once every three years. The City has no set policy as to the level the streets are to be maintained. However, the City has a program where the streets have a crack seal process applied every six years to prevent the erosion of the street condition.

By definition the City has one bridge that it maintains. The portion that is under water, is inspected every five years by the state Department of Transportation and documented in an inspection report given to and maintained by the City. The bridge is given a sufficiency rating, which is a numerical rating based on a 100 point scale. The rating is based on its structural adequacy and safety, load capacity, essentiality for public use, and its serviceability and functional obsolescence. Currently the one bridge carries a sufficiency rating of between 65 and 70. The City inspects and evaluates the remainder of the bridge above the water line using the pavement management system that is used for rating paved streets. The bridge has no load limits which substantiates its superior rating. Projected costs to maintain the bridge are included in the budgeted cost of the streets.

The City maintains an inventory of these infrastructure assets. With triennial assessments establishing the condition level of the assets, the City makes annual estimates of the cost to maintain its streets which are also reported in the City's annual Capital Improvement Program. For 2017 the City budgeted \$1,530 for major road and sidewalk maintenance projects. The actual amount expended was \$1,317.

Normally there were no significant changes in the condition levels of the streets. With relatively mild weather patterns the condition level of the streets was maintained above the acceptable conditions for the City. However, in 2017 the City experienced a severe cold winter and the streets succumbed to above normal fracturing. In 2017 the City established a Transportation Benefit District to generate revenue and to address future repair needs. In November, 2017, a ballot measure to convert the revenue from the Council-approved car tab fee to a voter approved 0.2% sales tax was passed by the voters, and the new sales tax started to be collected on April 1, 2018. More than \$1,450 is expected to be generated by this new sales tax, to be added to the Real Estate Excise Tax and grants to support maintenance of the street infrastructure.

Long-term debt. At the end of the fiscal year, the City of Moses Lake had total bonded debt outstanding of \$13,170. Of this amount, \$6,360 comprises debt backed by the full faith and credit of the government and

\$6,810 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Moses Lake's Outstanding Debt
General Obligation and Revenue Debt
(Actual Amounts)

	Governmental Activities		Business-type Activities		Total	Total
	2016	2017	2016	2017	2016	2017
General obligation debt	\$ 6,685,833	\$ 5,791,666	\$ 594,167	\$ 568,334	\$ 7,280,000	\$ 6,360,000
Revenue debt	-	-	7,715,000	6,810,000	7,715,000	6,810,000
Total long-term debt	<u>\$ 6,685,833</u>	<u>\$ 5,791,666</u>	<u>\$ 8,309,167</u>	<u>\$ 7,378,334</u>	<u>\$ 14,995,000</u>	<u>\$ 13,170,000</u>

The City of Moses Lake's total bonded debt decreased by \$1,825 due to payments and no new debt being issued. The earliest final maturity for existing debt is 2020, and the last maturities are in 2026. Currently, the city does not anticipate issuing any new debt in the foreseeable future, although City Council has recently authorized an architectural design for a new Parks and Recreation facility to replace an aging Larson Park recreation center. The final plan could be funded by available resources in the Parks Capital Fund and hotel/motel taxes, with any balance being bonded.

The City of Moses Lake maintains favorable rating from S&P Global Ratings Group. The Water & Sewer Revenue Bonds are rated "AA-" and the Limited Tax General Obligation Bonds are rated "A+".

Washington State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities and 2.5% for utilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of assessed valuation. The City's assessed valuation for 2017 was \$2,068,181,390 and the remaining debt capacity is as follows:

	(Actual amounts)
General Purpose-Non-voted (i.e. Councilmainc) net of Outstanding debt	\$ 22,197
General Purpose-Voted	<u>21,439</u>
Total General Purpose-Voted and Non-Voted	43,636
Open Space/Park Facilities	51,705
Utilities	<u>51,705</u>
Total	<u>\$ 147,046</u>

Additional information on the City's long-term debt can be found in Note 8 to the Financial Statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

Because of its location on the major interstate that runs between Seattle and Spokane, along with recreational opportunities that accompany a lakeside community, Moses Lake has seen steady growth.

Growth generally translates into greater revenues attributable in part to increased sales taxes, property taxes, permit fees, and the like. The City finds itself in a somewhat unique and fortunate situation. While the effect of the past national "great recession", as it has been termed, had been felt by the City in reduced sales taxes and permitting fees, the real property taxes from industrial growth has covered the loss of those reduced

sales tax receipts and even caused an overall increase in general government revenues. As the national economy grows again, the City anticipates sales taxes and permitting fees will rebound which will be extremely advantageous for the City. This growth has become apparent in 2017 where the City has realized a moderate growth in property taxes and permitting fees.

With continued growth of the local economy, which is providing governmental revenue, at a previously unrealized rate, the City can anticipate providing services at the level now provided and perhaps increase those services in some areas. The aforementioned factors were considered in the preparation of the City's 2017 budget.

In reviewing the building activity in the local economy currently in progress and anticipated for the future, it is anticipated that the local economy should continue to improve in 2018 and perhaps for several years in the future, but at a moderate rate, which supports the assumption that current service levels can be maintained.

Several industrial and retail concerns in and around the City have completed new projects or expansions in 2017. These expansions, additions, and new projects will result in added building activity, a short term influx of construction employment, and in the long term, add jobs to the City's employment base. The expansion and/or new location of industry and retail in and around the City will have a direct effect on the local economy and have an effect on building activity which will affect the City's property tax receipts. The added employment has resulted in additional population in and around the City which will affect retail sales and, therefore, the City's retail sales tax receipts.

Property tax increases have been limited by voter approved initiatives. However, gross property tax receipts have increased because of annexations and new construction within the City.

The property owner with the largest real estate tax assessment within the City appealed their 2012 assessment. The County is seeking a \$1.2 billion value and the property owner a \$450 million value or less. Washington State Board of Tax Appeals (BTA) assessed a valuation of \$904 million for the property owner. The property owner appealed the verdict to Superior Court. Superior Court remanded the case back to BTA for clarification. The BTA returned with a new valuation of \$774 million for the 2012 assessment. The decision is reflected in the city's property tax revenue for 2016. The same property owner has disputed their 2013, 2014 and 2015 assessment. All years have been heard by the Board of Equalization and were appealed to the BTA. The County feels strongly that the board will more favorably view the County's determination of assessed value than that of the property owner. The City is not anticipating a decrease in services and will defer construction projects until such time as the dispute is resolved.

During the current fiscal year, the unassigned fund balance increased as the total fund balance for the General Fund. Council was concerned with the limited resources available for public safety, and increased the internal utility tax from 8% to 10% effective January 1, 2017. The move stabilized General Fund, and allowed for additional spending of \$338 on public safety. The City expects and intends to increase the fund balances in future years as management is in the process of establishing a fund balance policy based on a factor of operating expenditures.

While it is expected that future budgets may be limited by voter approved initiatives and legislation, which can reduce income to the City's General or Operating Fund, it is expected that some of the limitations experienced by the City will be tempered by continued economic development, primarily in the retail, industrial, and tourism sectors. All of the referenced factors were considered in preparing the City of Moses Lake's budget for the 2017 fiscal year.

The projected outlook for the City of Moses Lake and surrounding area remains positive as more building permits are issued and more industrial firms are moving into the area or expanding current facilities because of relatively inexpensive land and power costs.

Requests for Information

This financial report is designed to provide a general overview of the City of Moses Lake's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 401 S. Balsam, PO Box 1579, Moses Lake, WA 98837.

CITY OF MOSES LAKE
Statement of Net Position
December 31, 2017

	Governmental Activities	Primary Government Business-Type Activities	Total
ASSETS			
Pooled cash & investments	\$ 11,083,055	\$ 11,231,220	\$ 22,314,275
Receivables (net of allowances for uncollectibles)	3,342,644	2,355,016	5,697,660
Internal balances	(6,685,941)	6,685,941	-
Inventories and prepaid items	243,282	448,582	691,864
Restricted assets:			
Cash	-	1,312,265	1,312,265
Capital assets			
Land and land improvements	5,560,986	1,273,031	6,834,017
Construction in Progress	-	1,378,479	1,378,479
Net of accumulated depreciation			
Buildings and other improvements	20,234,333	27,288,252	47,522,585
Machinery and equipment	5,085,375	3,296,353	8,381,728
Infrastructure	39,511,194	51,902,562	91,413,756
Net Pension Asset	2,387,224	511,983	2,899,207
Total assets	<u>80,762,152</u>	<u>107,683,684</u>	<u>188,445,836</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	\$ 158,877	\$ 31,776	\$ 190,653
Deferred outflows related to pensions	777,953	260,319	1,038,272
Total deferred outflows of resources	<u>936,830</u>	<u>292,095</u>	<u>1,228,925</u>
LIABILITIES			
Accounts payable and other current liabilities	611,212	588,154	1,199,366
Accrued interest	51,465	118,307	169,772
Noncurrent liabilities:			
Due within one year	1,430,266	1,611,480	3,041,746
Due in more than one year	8,610,058	9,357,436	17,967,494
Net pension liability	3,722,471	1,378,039	5,100,510
Total liabilities	<u>14,425,472</u>	<u>13,053,416</u>	<u>27,478,888</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,218,085	378,393	1,596,478
Total deferred inflows of resources	<u>1,218,085</u>	<u>378,393</u>	<u>1,596,478</u>
NET POSITION			
Net investment in capital assets	63,142,833	77,543,930	140,686,763
Restricted For:			
Debt service	184,488	1,284,375	1,468,863
Other purposes	2,154,672	-	2,154,672
Unrestricted	573,435	15,715,663	16,289,098
Total net position	<u>\$ 66,055,428</u>	<u>\$ 94,543,968</u>	<u>\$ 160,599,396</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Statement of Activities
For the Year Ended December 31, 2017

Function/Programs	Net (Expenses) Revenues and Changes in Net Position				
	Primary Government		Business-type		
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government:					
Governmental Activities:					
General government	\$ 2,357,673	\$ 1,740,377	\$ 2,027	\$ -	\$ (615,269)
Public safety	9,070,874	365,690	131,491	-	(8,573,693)
Public works	1,556,397	647,723	-	-	(908,674)
Transportation	3,152,406	612,678	239,961	318,392	(1,981,375)
Culture and recreation	5,606,910	1,381,724	31,480	12,300	(4,181,406)
Economic Environment	1,148,057	199,155	-	-	(948,902)
Interest on long-term debt	349,562	-	-	-	(349,562)
Total governmental activities	23,241,879	4,947,347	404,959	330,692	(17,558,881)
Business-type activities:					
Water/Sewer utility	7,618,628	11,062,889	-	725,707	4,169,968
Sanitation	3,904,199	4,044,756	-	-	140,557
Ambulance	2,157,738	2,371,353	-	-	213,615
Airport	54,275	26,934	-	-	(27,341)
Storm Water	745,440	884,091	-	35,594	174,245
Total business-type activities	14,480,280	18,390,023	-	761,301	4,671,044
Total primary government	\$ 37,722,159	\$ 23,337,370	\$ 404,959	\$ 1,091,993	(12,887,837)
General Revenues:					
Property taxes					6,811,359
Retail sales and use taxes					-
Business taxes					7,424,680
Investment earnings					-
Insurance recoveries					4,905,212
Transfers, internal activities					265,747
Total general revenues and transfers					129,770
Changes in net position					114,184
Net position - beginning					(425,660)
Prior Period Adjustments					(295,890)
Net position - ending					19,650,952
					6,763,115
					152,514,828
					1,321,447
					\$ 66,055,427
					\$ 94,543,963
					\$ 160,599,390

The notes to the financial statements are an integral part of this statement

CITY OF MOSES LAKE
Balance Sheet
Governmental Funds
December 31, 2017

	General	Street	Other Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash & investments	\$ 4,238,941	\$ 647,016	\$ 3,047,213	\$ 7,933,170
Receivables (net of allowance for uncollectibles):				
Taxes	2,823,614	-	-	2,823,614
Customer accounts	119,194	-	73,434	192,628
Unbilled services	52,722	-	-	52,722
Other receivables	132,834	541	-	133,375
Notes/contracts receivable	-	-	19,070	19,070
Due from other governments	26,434	75,812	505	102,751
Prepaid Expenses	67,290	68,854	-	136,144
Total assets	<u>7,461,029</u>	<u>792,223</u>	<u>3,140,222</u>	<u>11,393,474</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	75,650	40,934	112,290	228,874
Salaries and benefits payable	295,443	9,479	308	305,230
Interfund loans payable	500,000	-	-	500,000
Other short-term liabilities	1,016	-	-	1,016
Total liabilities	<u>872,109</u>	<u>50,413</u>	<u>112,598</u>	<u>1,035,120</u>
Deferred inflows of resources				
Deferred property tax	1,383,653	-	-	1,383,653
Deferred traffic citations	66,586	-	-	66,586
Deferred unavailable receivables	12,751	541	19,071	32,363
Total deferred inflows of resources	<u>1,462,990</u>	<u>541</u>	<u>19,071</u>	<u>1,482,602</u>
Fund Balances:				
Nonspendable:				
Inventories and noncurrent receivables	150,858	69,395	-	220,253
Restricted for:				
Public safety programs	-	-	441,175	441,175
Tourism	-	-	1,049,737	1,049,737
Debt service	-	-	184,488	184,488
Culture and recreation	-	-	600,493	600,493
Committed for:				
Committed	330,371	-	-	330,371
Culture and recreation	-	-	105,769	105,769
Transportation	-	-	626,891	626,891
Assigned to transportation	-	671,874	-	671,874
Unassigned	4,644,701	-	-	4,644,701
Total fund balances	<u>5,125,930</u>	<u>741,269</u>	<u>3,008,553</u>	<u>8,875,752</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,461,029</u>	<u>\$ 792,223</u>	<u>\$ 3,140,222</u>	<u>\$ 11,393,474</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Reconciliation of the Governmental Funds Balance Sheet to
The Government-wide Statement of Net Position
December 31, 2017

Total Governmental Fund Balances \$ 8,875,752

Amounts reported for governmental activities in the government-wide statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (exclusive of internal service funds' capital assets) 53,870,068

Other long-term assets are not available to be collected in current period revenues and therefore are deferred in the funds. 1,501,198

Internal service funds are used by management to change the costs of certain activities, such as insurance, information services, fleet management, and building maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities on the government-wide statement of net position.

Internal Service funds' net position	11,097,954	
Internal payable-charges under cost to business-type activities- prior years	(1,706,798)	
Internal receivable-charges over cost to business-type activities - current years	<u>(740,364)</u>	
Net adjustment to arrive at net position - governmental activities		8,650,792

Liabilities, including bonds, loans, and compensated absences, not due and payable in the current period and therefore are not reported in the governmental fund balance sheets, but are reported on the government-wide statement of net position (exclusive of internal service funds' debt).

Bonds payable	(2,841,666)	
Issuance discounts, premiums and deferred amount on refunding	(30,389)	
Accrued interest payable	(44,125)	
Compensated absences	(1,617,622)	
Pension obligations (net)	(1,242,836)	
Other postemployment benefits	<u>(1,065,744)</u>	
Net adjustment to arrive at net position - governmental activities		(6,842,382)

Net position of governmental activities		<u><u>\$ 66,055,428</u></u>
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CITY OF MOSES LAKE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Street	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 17,695,495	\$ -	\$ 1,428,592	\$ 19,124,087
Licenses and Permits	702,345	77,329	-	779,674
Intergovernmental revenues	377,663	723,134	579,839	1,680,636
Charges for services	2,962,712	5,882	88,629	3,057,223
Fines and forfeits	404,726	-	256	404,982
Interest earnings	197,768	7,577	27,498	232,843
Rents and royalties	181,156	-	-	181,156
Contributions/donations	-	-	94,601	94,601
Assessments	-	-	18,597	18,597
Miscellaneous	11,050	8,477	11,966	31,493
Total revenues	<u>22,532,915</u>	<u>822,399</u>	<u>2,249,978</u>	<u>25,605,292</u>
EXPENDITURES				
Current:				
General Government	2,609,387	-	2,027	2,611,414
Public safety	9,485,985	-	171,659	9,657,644
Public works	1,678,022	-	-	1,678,022
Transportation	-	1,952,432	1,314,428	3,266,860
Economic environment	1,185,356	-	-	1,185,356
Culture and recreation	5,146,922	-	219,471	5,366,393
Capital outlay	263,859	-	17,696	281,555
Debt service:				
Principal	-	-	129,167	129,167
Interest and debt issue costs	27,615	-	106,208	133,823
Total expenditures	<u>20,397,146</u>	<u>1,952,432</u>	<u>1,960,656</u>	<u>24,310,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,135,769</u>	<u>(1,130,033)</u>	<u>289,322</u>	<u>1,295,058</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,482	1,356,800	867,754	2,725,036
Transfers (out)	<u>(2,133,994)</u>	<u>(94,200)</u>	<u>(71,182)</u>	<u>(2,299,376)</u>
Proceeds from sale of capital assets	-	22,134	-	22,134
Total other financing sources (uses)	<u>(1,633,512)</u>	<u>1,284,734</u>	<u>796,572</u>	<u>447,794</u>
Net change in fund balances	502,257	154,701	1,085,894	1,742,852
Fund balances-beginning	3,453,557	514,867	1,843,031	5,811,455
Prior Period Adjustments	1,170,116	71,703	79,628	1,321,447
Fund balances-ending	<u>\$ 5,125,930</u>	<u>\$ 741,271</u>	<u>\$ 3,008,553</u>	<u>\$ 8,875,754</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Government-wide Statement of Activities
For the Year Ended December 31, 2017

Net changes in fund balances - total governmental funds: \$ 1,742,852

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period

Capital outlay	281,555	
Depreciation expense	(646,428)	
Net increase (decrease) in net position - governmental activities		(364,873)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statement. (715,546)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net position.

Contributed assets	-	
Gain(loss) on sale/disposals of assets	(58,311)	
Net increase (decrease) in net position - governmental activities		(58,311)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt principal payments	129,167	
Net increase in net position - governmental activities		129,167

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension	861,085	
Other post employment benefits	(78,586)	
Accrued debt interest	2,084	
Compensated absences	140,924	
Amortization of deferred bond costs	3,377	
Net decrease in net position - governmental activities		928,884

Accrued interest revenue in the statement of net activities does not provide current financial resources and is not reported as revenue in governmental funds. (1,454)

Internal service funds are used by management to charge the costs of equipment, insurance, data processing, and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Internal service funds change in net position	1,467,606	
Loss(gain) from charges to business-type activities	(740,364)	
Net increase in net position - governmental activities		727,242

Change in net position in governmental activities \$ 2,387,961

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****General Fund****For the Year Ended December 31, 2017**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 15,183,200	\$ 15,183,200	\$ 17,695,495	\$ 2,512,295
Licenses and Permits	517,200	517,200	702,345	185,145
Intergovernmental revenues	251,000	251,000	377,663	126,663
Charges for services	3,040,200	3,040,200	2,962,712	(77,488)
Fines and forfeits	467,000	467,000	404,726	(62,274)
Interest earnings	180,000	180,000	197,768	17,768
Rents and royalties	122,800	122,800	181,156	58,356
Miscellaneous	500	500	11,050	10,550
Total revenues	<u>19,761,900</u>	<u>19,761,900</u>	<u>22,532,915</u>	<u>2,771,015</u>
EXPENDITURES				
Current:				
General Government	2,639,700	2,639,700	2,609,387	30,313
Public safety	9,170,800	9,176,300	9,485,985	(309,685)
Public works	1,873,000	1,873,000	1,678,022	194,978
Economic environment	1,281,700	1,281,700	1,185,356	96,344
Culture and recreation	5,471,500	5,471,500	5,146,922	324,578
Capital outlay	138,000	138,000	263,859	(125,859)
Debt service:				
Interest and debt issue costs	27,700	27,700	27,615	85
Total expenditures	<u>20,602,400</u>	<u>20,607,900</u>	<u>20,397,146</u>	<u>210,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(840,500)</u>	<u>(846,000)</u>	<u>2,135,769</u>	<u>2,981,769</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,350,000	1,350,000	500,482	(849,518)
Transfers (out)	(2,131,900)	(2,131,900)	(2,133,994)	(2,094)
Total other financing sources (uses)	<u>(781,900)</u>	<u>(781,900)</u>	<u>(1,633,512)</u>	<u>(851,612)</u>
Net change in fund balances	<u>(1,622,400)</u>	<u>(1,627,900)</u>	<u>502,257</u>	<u>2,130,157</u>
Fund balances-beginning	1,945,300	1,945,300	3,453,557	1,508,257
Prior Period Adjustments	-	-	1,170,116	1,170,116
Fund balances-ending	<u>\$ 322,900</u>	<u>\$ 317,400</u>	<u>\$ 5,125,930</u>	<u>\$ 4,808,530</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MOSES LAKE**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****Street Fund****For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Licenses and Permits	\$ 50,800	\$ 50,800	\$ 77,329	\$ 26,529
Intergovernmental revenues	500,000	500,000	723,134	223,134
Charges for services	15,000	15,000	5,882	(9,118)
Interest earnings	-	-	7,577	7,577
Miscellaneous	-	-	8,477	8,477
Total revenues	565,800	565,800	822,399	256,599
EXPENDITURES				
Current:				
Transportation	1,919,100	1,999,100	1,952,432	46,668
Total expenditures	1,919,100	1,999,100	1,952,432	46,668
Excess (deficiency) of revenues over (under) expenditures	(1,353,300)	(1,433,300)	(1,130,033)	303,267
OTHER FINANCING SOURCES (USES)				
Transfers in	1,356,800	1,356,800	1,356,800	-
Transfers (out)	(94,200)	(94,200)	(94,200)	-
Proceeds from sale of capital assets	-	-	22,134	22,134
Total other financing sources (uses)	1,262,600	1,262,600	1,284,734	22,134
Net change in fund balances	(90,700)	(170,700)	154,701	325,401
Fund balances-beginning	137,300	514,867	514,867	-
Prior Period Adjustments	-	-	71,703	71,703
Fund balances-ending	\$ 46,600	\$ 344,167	\$ 741,271	\$ 397,104

The notes to the financial statements are an integral part of this statement.

**CITY OF MOSES LAKE
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2017**

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ASSETS

Current assets:

Pooled cash & investments
Receivables (net of allowance for uncollectibles)
Interfund loans receivable
Inventory
Total assets

Restricted assets:

Revenue bond reserves/debt service:
Pooled cash & investments
Total restricted assets

Capital assets:

Land and land rights
Construction in Progress
Net of accumulated depreciation:
Buildings
Infrastructure
Machinery and equipment
Intangible assets
Total capital assets

Net pension asset

Total non current assets

Total assets

DEFERRED OUTFLOWS OF

RESOURCES

Deferred amount on refunding
Deferred Pension
Total deferred outflows of resources

	Business-type Activities-Enterprise Funds					Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Airport	Storm Water	Totals
\$ 10,245,699 \$	175,574 \$	292,953 \$	87,786 \$	429,208 \$	11,231,220 \$	3,149,884
1,208,414	613,141	401,523	-	131,938	2,355,016	-
4,872,444	-	-	-	-	4,872,444	-
353,237	64,228	24,120	-	6,997	448,582	107,138
16,679,794	852,943	718,596	87,786	568,143	18,907,262	3,257,022
1,312,265	-	-	-	-	1,312,265	-
1,312,265	-	-	-	-	1,312,265	-
836,006	-	-	460	151,438	987,904	608,951
1,378,479	-	-	-	-	1,378,479	-
26,946,163	-	-	28,598	313,491	27,288,252	11,317,344
45,363,712	-	-	251,417	6,287,433	51,902,562	-
3,099,115	-	89,953	-	107,285	3,296,353	4,595,525
285,127	-	-	-	-	285,127	-
77,908,602	-	89,953	280,475	6,859,647	85,138,677	16,521,820
-	-	511,983	-	-	511,983	-
79,220,867	-	601,936	280,475	6,859,647	86,962,925	16,521,820
95,900,661	852,943	1,320,532	368,261	7,427,790	105,870,187	19,778,842
31,776	-	-	-	-	31,776	-
169,662	-	74,751	-	15,907	260,320	53,022
\$ 201,438 \$	- \$	74,751 \$	- \$	15,907 \$	292,096 \$	53,022

The notes to the financial statements are an integral part of this statement

CITY OF MOSES LAKE
Statement of Net Position
Proprietary Funds
December 31, 2017

Page 2 of 2

	Business-type Activities-Enterprise Funds						Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Airport	Storm Water	Totals	
LIABILITIES							
Current Liabilities:							
Accounts payable	\$ 83,096	\$ 327,495	\$ 16,579	\$ 170	\$ 2,117	\$ 429,457	\$ 55,909
Salaries and benefits payable	45,261	942	34,220	-	6,309	86,732	20,295
Interfund loans payable	-	375,000	258,666	-	-	633,666	3,738,778
Interest payable	-	-	-	-	-	-	7,339
Capital leases payable	-	-	-	-	-	-	362,573
G.O. bonds payable	54,989	-	-	-	-	54,989	785,000
Compensated Absences	37,206	196	17,876	-	4,521	59,799	7,693
Accrued interest	118,307	-	-	-	-	118,307	-
Intergovernmental loans payable	561,692	-	-	-	-	561,692	-
Revenue bonds payable	935,000	-	-	-	-	935,000	-
Other short-term liabilities	70	71,894	-	-	-	71,964	-
Total current liabilities	1,835,621	775,527	327,341	170	12,947	2,951,606	4,977,587
Noncurrent liabilities:							
Revenue bonds payable (net discount/premium)	6,053,571	-	-	-	-	6,053,571	-
G.O. bonds payable (net discount/premium)	551,187	-	-	-	-	551,187	2,242,279
Intergovernmental loans payable	2,214,488	-	-	-	-	2,214,488	-
Compensated absences	334,853	1,767	160,880	-	40,691	538,191	69,233
Net pension liability	1,229,636	-	-	-	148,403	1,378,039	494,678
Lease payable	-	-	-	-	-	-	859,247
Total noncurrent liabilities	10,383,735	1,767	160,880	-	189,094	10,735,476	3,665,437
Total liabilities	12,219,356	777,294	488,221	170	202,041	13,687,082	8,643,024
DEFERRED INFLOWS OF RESOURCES							
Pension	216,590	-	134,359	-	27,444	378,393	90,888
Total deferred inflows of resources	216,590	-	134,359	-	27,444	378,393	90,888
NET POSITION							
Net investment in capital assets	70,313,855	-	89,953	280,475	6,859,647	77,543,930	12,273,989
Restricted for debt service	1,284,375	-	-	-	-	1,284,375	-
Unrestricted	12,067,923	75,649	682,751	87,615	354,563	13,268,501	(1,176,035)
Total net position	\$ 83,666,153	\$ 75,649	\$ 772,704	\$ 368,090	\$ 7,214,210	\$ 92,096,806	\$ 11,097,954
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,447,162
Net position of business-type activities							\$ 94,543,968

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Net position of business-type activities

The notes to the financial statements are an integral part of this statement

CITY OF MOSES LAKE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities-Enterprise Funds					Governmental Activities	
	Water/Sewer	Sanitation	Ambulance	Airport	Storm Water	Internal Service	Funds
OPERATING REVENUES							
Charges for services	\$ 10,391,233	\$ 4,043,918	\$ 2,332,275	\$ -	\$ 884,091	\$ 17,651,517	\$ 6,110,782
Miscellaneous	664,832	838	-	26,934	-	692,604	901
Total operating revenues	11,056,065	4,044,756	2,332,275	26,934	884,091	18,344,121	6,111,683
OPERATING EXPENSES							
Salaries and benefits	2,076,048	48,549	1,430,887	6	441,967	3,997,457	1,510,038
Supplies and contractual services	2,793,488	3,854,003	753,279	20,194	301,291	7,722,255	1,102,313
Utilities	540,357	-	-	5,132	18,378	563,867	121,851
Repairs and maintenance	57,328	-	2,599	-	42	59,969	237,738
Insurance claims and expenses	-	-	-	-	-	-	552,464
Depreciation and amortization	2,403,898	-	25,491	31,339	18,149	2,478,877	1,051,950
Total operating expenses	7,871,119	3,902,552	2,212,256	56,671	779,827	14,822,425	4,576,354
Operating income (loss)	3,184,946	142,204	120,019	(29,737)	104,264	3,521,696	1,535,329
NONOPERATING REVENUES (EXPENSES)							
Interest and other earnings	129,770	-	-	-	-	129,770	34,358
Insurance recoveries	-	-	-	-	-	-	114,184
Intergovernmental payments	(61,961)	-	-	-	-	(61,961)	-
Interest expense	(326,666)	(5,923)	(3,670)	-	-	(336,259)	(221,199)
Miscellaneous revenues	6,824	-	39,078	-	-	45,902	4,934
Total nonoperating revenues (expenses)	(252,033)	(5,923)	35,408	-	-	(222,548)	(67,723)
Income (loss) before contributions and transfers	2,932,913	136,281	155,427	(29,737)	104,264	3,299,148	1,467,606
Capital contributions	-	-	-	-	35,594	761,301	-
Transfers in	-	-	74,340	-	-	74,340	-
Transfers (out)	(500,000)	-	-	-	-	(500,000)	-
Changes in net position	3,158,620	136,281	229,767	(29,737)	139,858	3,634,789	1,467,606
Net position - beginning	80,507,528	(60,634)	542,937	397,827	7,074,352		9,630,348
Net position - ending	\$ 83,666,148	\$ 75,647	\$ 772,704	\$ 368,090	\$ 7,214,210	\$	\$ 11,097,954
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							740,364
Changes in net position of business-type activities							\$ 4,375,153

The notes to the financial statements are an integral part of this statement

City of Moses Lake, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

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CASH FLOWS FROM OPERATING ACTIVITIES

	Water/Sewer	Sanitation	Ambulance	Airport	Storm Water	Total	Governmental Activities Internal Service Funds
Receipts from customers	\$ 10,340,759	\$ 3,962,699	\$ 2,357,072	\$ 26,934	\$ 875,392	\$ 17,562,856	\$ 6,111,683
Payment to Suppliers	(3,982,122)	(3,814,181)	(755,422)	(25,711)	(322,233)	(8,899,669)	(2,058,741)
Payments to employees	(2,582,934)	(51,181)	(1,552,696)	(6)	(361,467)	(4,548,284)	(1,247,378)
Miscellaneous revenues	833,202	838	-	-	-	834,040	3,134
Miscellaneous expenses	-	-	-	-	(1,510)	(1,510)	-
Net cash provided by (used for) operating activities	4,608,905	98,175	48,954	1,217	190,182	4,947,433	2,808,698

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payments from other funds	72,569	-	-	-	-	72,569	28
Payments (to) other funds	-	-	(109,223)	(72)	(70)	(109,365)	(75,860)
Advances from other funds	1,464,993	-	-	-	-	1,464,993	-
Transfers from other funds	-	-	74,340	-	-	74,340	-
Transfers (to) other funds	(500,000)	(217,331)	-	-	-	(717,331)	-
Insurance recoveries	-	-	-	-	-	-	114,184
Other intergovernmental revenues	-	-	39,078	-	-	39,078	-
Other intergovernmental payments	(61,961)	-	-	-	-	(61,961)	-
Net cash provided by (used for) noncapital financing activities	975,601	(217,331)	4,195	(72)	(70)	762,323	38,352

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt	-	-	-	-	-	-	610,829
Principal paid on debt	(1,492,537)	-	-	-	-	(1,492,537)	(2,454,499)
Interest paid on debt	(399,364)	(5,923)	(3,670)	-	-	(408,957)	(222,846)
Capital contributions	428,489	-	-	-	-	428,489	-
Purchases of capital assets	(2,173,398)	-	(17,561)	-	(95,777)	(2,286,736)	(662,912)
Proceeds of capital grants	-	-	-	-	25,000	25,000	-
Net cash provided by (used for) capital related financing activities	(3,636,810)	(5,923)	(21,231)	-	(70,777)	(3,734,741)	(2,729,428)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	-	-	-	-	-	-	34,358
Net cash provided by (used in) investing activities	-	-	-	-	-	-	34,358

Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents, January 1
Cash and cash equivalents - December 31

1,947,696	(125,079)	31,918	1,145	119,335	1,975,015	151,980
9,610,268	300,654	261,037	86,640	309,873	10,568,474	2,997,906
11,557,964	175,575	292,955	87,785	429,208	12,543,489	3,149,886

The notes to the financial statements are an integral part of this statement

City of Moses Lake, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

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	Business-type Activities- Enterprise Funds					Governmental Activities Internal Service Funds
	Water/Sewer	Sanitation	Ambulance	Airport	Storm Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating income (loss)	\$ 3,184,947	\$ 142,205	\$ 120,020	\$ (29,737)	\$ 104,263	\$ 3,521,698
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Depreciation	2,403,898	-	25,491	31,339	18,149	2,478,877
Loss on refunding	31,776	-	-	-	-	31,776
Allowance for uncollectible accounts	-	-	(75,555)	-	-	(75,555)
Decrease (increase) in accounts receivable	(43,651)	(81,219)	100,352	-	(8,699)	(33,217)
Decrease (increase) in inventory	(5,589)	(16,756)	(252)	-	-	(22,597)
Decrease (increase) in prepaid expenses	-	-	-	-	(1,510)	(1,510)
Decrease (increase) in pension liability	(503,623)	-	(108,994)	-	71,606	(541,011)
(Decrease) increase in accounts payable	(585,360)	56,578	708	(384)	(2,521)	(530,979)
(Decrease) increase in salaries payable	(1,643)	(953)	5,258	-	617	3,279
(Decrease) increase in compensated absences	(1,619)	(1,680)	(18,074)	-	8,277	(13,096)
(Decrease) increase in miscellaneous revenues	129,770	-	-	-	-	129,770
Total adjustments	1,423,959	(44,030)	(71,066)	30,955	85,919	1,425,737
	4,608,906	98,175	48,954	1,218	190,182	4,947,435
Net cash provided by (used for) operating activities						2,808,699
Noncash investing, capital, and financing activities:						
Contributions of capital assets	\$ 297,218	\$ -	\$ -	\$ -	\$ 35,594	\$ 332,812
Addition to capital leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 505,400

The notes to the financial statements are an integral part of this statement

CITY OF MOSES LAKE
Statement of Net Position
Fiduciary Funds
December 31, 2017

	Agency Funds
ASSETS	
Pooled cash & investments	<u>\$ 995,373</u>
Total assets	<u>995,373</u>
LIABILITIES	
Custodial accounts payable	<u>995,373</u>
Total liabilities	<u>\$ 995,373</u>

CITY OF MOSES LAKE
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1- Summary of Significant Accounting Policies

The financial statements of the City of Moses Lake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Moses Lake was incorporated on September 19, 1938 and operates under the laws of the State of Washington applicable to a non-charter code city with a Council/Manager form of government. The City of Moses Lake provides a full range of municipal services, which include: police, fire, engineering, parks, street, economic development, and administrative services. Included in the City's Enterprise Fund financial reports are: water and wastewater, Sanitation (or Solid Waste), Ambulance, Airport, and Stormwater. The City has analyzed the rules for component units, and has determined that the primary government consists solely of the legal entity of the City.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment if they are non-tax supported. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting

The government-wide financial statements are reported using the economic resource's measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for

which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resource's measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Moses Lake reports the following major governmental funds:

The **General Fund** is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The **Street Fund** is a special revenue fund that accounts for the operation and maintenance of City streets and alleys, street lighting, and traffic control. Revenues are derived mostly from tax contributions and state shared gasoline tax.

The City of Moses Lake reports the following major proprietary funds:

The **Water/Sewer Fund** accounts for the activities of the City's water and sewer utility. Revenues are received from water and sewer services provided to the general public. Expenses are comprised of maintenance and extensions of drainage, water and sewer service facilities, operating a water supply system, maintaining sewer treatment plants and operating a water drainage system. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The **Sanitation Fund** accounts for the activities of providing contracted garbage services to its citizens. The fund is self-supporting through user charges and recycling.

The **Ambulance Fund** accounts for the activities of emergency services and transportation of patients. Revenues are generated by a utility fee for City residences and user charges.

The **Airport Fund** accounts for the operation and maintenance of a municipal airport located within the City limits. The fund is supported with rental charges.

The **Storm Water Fund** accounts for all activities of the storm water system in order to control flooding

and protect surface and ground water. The fund is supported through user charges.

Additionally, the City of Moses Lake reports the following fund types:

Special Revenue Funds account for revenue from specific taxes or other earmarked revenue sources that by law are designed to finance particular functions or activities of the City.

Capital Projects Funds account for financial resources used for the construction and acquisition of major capital facilities other than those financed by special assessments or proprietary funds.

Debt Service Funds finance and account for the payment of interest and principal on all tax-supported debt, serial and term, including those payable from special assessments.

Internal Service Funds account for information service, equipment rental, building maintenance, self-insurance, and unemployment compensation provided to other departments or agencies of the City on a cost reimbursement basis.

Agency Funds are custodial in nature, representing assets held by the City in an agency capacity for the State of Washington, Grant County and others. These funds report only assets and liabilities and have no measurement focus, as the purpose of this type of fund is to simply receive and disburse funds belonging to another organization.

Generally, the effect of the Inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule is administrative overhead charges where the amounts are reasonably equivalent in value to the inter-fund services provided. Inter-fund charges for governmental services, including utilities and certain internal services, have not been eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues for enterprise funds are customer charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

Scope of Budget

Budgets serve as control mechanisms in the operations of governmental units. Legal budgetary (expenditure) control for the City is at the fund level; i.e., expenditures may not exceed budgeted

appropriations at the fund level. However, budget and actual information is kept by department, account element, and object for management review of operations.

Annual appropriated budgets are adopted for the general and certain special revenue funds on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. The financial statements include budgetary comparisons for the General Fund and all major Special Revenue funds. Budgets for special revenue funds are required to be prepared, but not required to be included in this report. Budgets for proprietary and fiduciary funds, although not legally required, are prepared for operational oversight but are not presented in the financial statements. The Finance Department prepares budgetary comparisons for all funds not presented in this report, which is available at www.cityofml.com/finance.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as a reservation of fund balances and does not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Amending the Budget

The City Manager is authorized to transfer budgeted amounts between departments within any fund; 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 Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearing(s).

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

E. Assets, Liabilities, Fund Balance, Net Position

Pooled Cash and Investments

It is the City's policy to invest all temporary cash surpluses. This amount is classified on the balance sheet as pooled cash and investments in various funds. The interest on these investments is prorated to the various funds that are statutorily required to receive interest and the balance of the interest is credited to

the General Fund.

For purposes of the statement of cash flows, the proprietary fund's equity in pooled investments is considered cash since all of the city's investments are internally pooled and participating funds use the pool as if it were a demand deposit account.

Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Property Taxes Note No. 4). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefitted.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Amounts Due to and From Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A separate schedule of Interfund loans receivable and payable is furnished in Note No. 13, Interfund Balances and Transfers.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditures at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the First in First Out method which approximates the market value.

Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent

special assessments receivable, in enterprise funds. The current portion of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in Notes No. 8 & 10, Long-Term Debt.

The restricted assets of the enterprise funds are composed of the following:

Cash Investments - Debt Service	\$ 1,284,375
Total Restricted Assets	\$ 1,284,375

Capital Assets - See Note No. 5, Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful life:

Assets	Years
Buildings/Improvement's	5 - 50
Other Improvements	5 - 25
Vehicles	5 - 15
Machinery & Equipment	5 - 20
Utility Infrastructure	20 - 50
Streets, Paths, Trails, Stormwater Infrastructure	N/A
Traffic Signals	40
Runway's & Taxiways	12 - 20

Infrastructure capital assets, valued at \$50,000 or greater, are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in the City's infrastructure are the streets and the bridge network. The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for storm water structures, the bridge, paved streets, bike paths, and alleys. Depreciation expenses are not reported for such assets nor are amounts capitalized in connection with improvements that lengthen the lives of the assets unless the improvements also increase the service potential.

Deferred Outflows and Inflows of Resources

In addition to assets, Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Deferred charge on debt refunding result from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension plans are discussed in detail in Note 6 – Pension Plans.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. which represents an acquisition of net position by the government, which is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item on the Statement of Net Position that qualifies for reporting in this category. Deferred inflows related to pension plans are discussed in detail in Note 6 – Pension Plans. The governmental funds report unavailable revenues from two sources, taxes receivable and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation pay, which may be accumulated up to two years of earned annual leave, is payable upon separation of employment for any reason. Sick leave may be accumulated up to 480 hours for a payoff of union exempt employees, and is payable upon voluntary termination with a minimum of 2 weeks notice or a reduction in work force in accordance with the following schedule:

<u>Years of Service</u>	<u>Percent Payable Sick Leave</u>
0-4	10
5-9	25
10-19	50
20-29	75
30+	100

For members of the General Union bargaining unit who were City employees and members of the Public Employees Retirement System as of January 1, 1983 and who retire, 50% of accumulated sick leave (to a maximum of 480 hours) will be paid as severance pay.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all

state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. See Note 8 *Long-term Debt* for more information.

Fund Balance Classification

Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints, which control how specific amounts can be spent

- Non-spendable includes fund balances cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.
- Restricted includes fund balances are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balances are constrained for specific purposes that are internally imposed by the government through formal action (resolution or ordinance) of the highest level of decision making authority, which is the City Council, and may be altered only by a similar formal action of the City Council,
- Assigned includes fund balances are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes fund balance is the residual amount of the general fund which has not been classified within the above-mentioned categories.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, then assigned fund balance, and lastly unassigned fund balance.

Minimum Fund Balance

The City has a formal policy on General Fund Balance as follows: "It will be the policy of the City to establish and maintain a General Fund Balance of at least ten percent (10%) of the total General Fund's budgeted revenue, excluding the beginning fund balance and identified one-time revenues. Any and all expenditures from the General Fund Balance Reserve account shall require a majority vote of the entire City Council."

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

The City's annual budget process is similar each year. The City's budget procedures are mandated by Washington State Law. The calendar below outlines the general time frame followed to prepare, review and adopt the annual budget.

Prior to November 15, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months and balanced with available resources.

The Council conducts two public hearings on the proposed budget in November/December to obtain taxpayer comments.

The budget is legally enacted by the City Council upon completion of the public hearings by passage of an ordinance. This must be done in December so that the budget is in place on January 1 of the subsequent year.

NOTE 3- DEPOSITS AND INVESTMENTS

Deposits

The City of Moses Lake maintains a deposit relationship with a Washington State commercial bank that is classified as a Public Depository. The Public Deposit Protection Commission of the State of Washington (PDPC) covers all deposits not insured by the Federal Depositary Insurance Corporation (FDIC). The FDIC insures the first \$250,000. The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool that insures public deposits. In such a pool, a group of financial institutions holding public funds pledge collateral to a common pool. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositories and optimizing collateralization requirements. At December 31, 2017, the bank balance was \$2,217,436.

Investments

As required by state law, all investments of the City of Moses Lake's funds (except as noted below) are obligations of the U. S. Government, U. S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool (LGIP), Grant County Investment Pool (GCIP), bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. Regulatory oversight is performed by the CFO, the Treasurer, or

the Treasury Accountant. As prescribed by RCW 43.09.050, the state auditor will “audit the accounts” and “inspect the books” of the State Treasurer to determine the compliance of investment activities with state statutes. Also in accordance with RCW 43.250.080, the State Treasurer will submit an annual summary of LGIP activity to the Governor, the State Auditor, and the Joint Legislative Audit and Review Committee. Investments of pension trust funds are not subject to the preceding limitations. All temporary investments are stated at cost.

GASB Statement No.79 Certain External Investment Pools and Pool Participants, allows the City to report its investment with the WA State Investment Pool (LGIP) at amortized cost. The City of Moses Lake is also reporting its investment in Grant County Investment Pool (GCIP) at amortized cost rather than fair value because the difference between amortized cost and fair value is insignificant. There are no limitations or restrictions on either pool.

As of December 31, 2017 the City had the following investments:

Investment Type	Fair Value	Rating	Weighted Average Maturity (days)
Grant County Investment Pool	\$12,829,423	not rated	1591
WA State Investment Pool	9,804,158	not rated	37
Total Fair Value	<u>\$22,633,581</u>		
Portfolio Weighted Average Maturity			917

Interest rate risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment or a deposit. Because the pools indicate they will return book value, there is minimal interest rate risk.

Credit Risk: Safety of principle is the foremost objective of the City. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Washington State Investment Pool, is like a 2a-7 fund, managed by the State Treasurer's Office is limited to high quality obligations with limited maximum and average maturities, which is to minimize both market and credit risk. The pool is unrated but the State of Washington's Legislature has regulatory oversight.

Under the City's investment policy, all temporary cash surpluses are invested. The City's investment policy is more conservative to limit risk, investing the portfolio in treasury notes and bills, certificates of deposit with qualified public depositories, and bankers acceptances with a credit rating for A1 or P1 by nationally recognized rating organizations. The City's investments are in compliance with all state investment laws and City investment policies.

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy states, with the exception of US Treasury securities and authorized pools, no more than 50% of the portfolio can be invested in a single security type or institution.

Custodial credit risk - investments: Custodial risk is the risk that in event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. The City has no custodial risk based on GASB 40 guidelines.

NOTE 4- PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments due
May 31	Assessed value of property established for next year's levy at 100% of market value
October 31	Second installment is due

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$3.6 per \$1,000 of assessed valuation for general governmental services. The City's regular levy for 2015 was \$3.286111 per \$1,000 on an assessed valuation of \$2,068,181,390 for a total regular levy of \$6,796,274.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 5- CAPITAL ASSETS

A summary of Governmental capital assets for the year ended December 31, 2017 were as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 5,560,986	\$ -	\$ -	\$ 5,560,986
Infrastructure*	38,800,402	141,437	-	38,941,839
CIP	208,065	940,541	1,148,606	-
Total Non-Depreciated	<u>44,569,453</u>	<u>1,081,978</u>	<u>1,148,606</u>	<u>44,502,825</u>
Capital Assets Depreciated:				
Buildings	34,672,337	53,764	-	34,726,101
Intangible	147,051	-	-	147,051
Machinery and Equipment	14,198,603	953,630	366,863	14,785,370
Infrastructure	1,681,182	-	90,844	1,590,338
Total Depreciated	<u>50,699,173</u>	<u>1,007,394</u>	<u>457,707</u>	<u>51,248,860</u>
Less Accumulated Depreciation:				
Buildings	13,604,612	887,156	-	14,491,768
Intangible	147,051	-	-	147,051
Machinery and Equipment	9,296,305	770,328	366,639	9,699,994
Infrastructure	1,012,622	40,894	32,534	1,020,982
Total Accumulated Depreciation	<u>24,060,590</u>	<u>1,698,378</u>	<u>399,173</u>	<u>25,359,795</u>
Total Capital Assets Depreciated, Net	<u>26,638,583</u>	<u>(690,984)</u>	<u>(58,534)</u>	<u>25,889,065</u>
Governmental Activities Capital Assets, Net	<u>\$71,208,036</u>	<u>\$ 390,994</u>	<u>\$ (1,207,140)</u>	<u>\$70,391,890</u>
Less associated debt				<u>(7,249,057)</u>
Capital assets net of debt				<u>\$63,142,833</u>

*The City accounts for the city streets, alleys, parking lots, boat ramps/landings, bike/jogging paths, bridges and storm drains using the modified approach and reports them as non-depreciable Infrastructure. Under the modified approach, rather than recording depreciation, asset condition is reported. The City includes internal service fund assets as part of governmental totals above. Depreciation includes amortization of intangible assets.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	Depreciation
General Government	\$ 38,935
Public Safety	29,910
Transportation	44,062
Public Works	10,648
Culture and Recreation	522,872
Capital Assets Held by the Government's Internal Service Funds, changed to the various functions based on usage	1,051,950
Total Depreciation - Governmental Activities	\$ 1,698,377

A summary of Business-type capital assets for the year ended December 31, 2017 were as follows:

Business-type Activities	Beginning Balance	Increase	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 987,904	\$ -	\$ -	\$ 987,904
Infrastructure	6,276,839	10,594	-	6,287,433
CIP	490,873	4,711,966	3,824,360	1,378,479
Intangible	285,127	-	-	285,127
Total Non-Depreciated	<u>8,040,743</u>	<u>4,722,560</u>	<u>3,824,360</u>	<u>8,938,943</u>
Capital Assets Depreciated:				
Buildings	40,717,401	-	-	40,717,401
Machinery and Equipment	4,416,344	423,771	-	4,840,115
Infrastructure	<u>74,452,512</u>	<u>1,270,319</u>	<u>-</u>	<u>75,722,831</u>
Total Depreciated	<u>119,586,257</u>	<u>1,694,090</u>	<u>-</u>	<u>121,280,347</u>
Less Accumulated Depreciation:				
Buildings	12,620,530	808,619	-	13,429,149
Machinery and Equipment	1,393,140	150,622	-	1,543,762
Infrastructure	<u>28,588,066</u>	<u>1,519,636</u>	<u>-</u>	<u>30,107,702</u>
Total Accumulated Depreciation	<u>42,601,736</u>	<u>2,478,877</u>	<u>-</u>	<u>45,080,613</u>
Total Capital Assets Depreciated, Net	<u>76,984,521</u>	<u>(784,787)</u>	<u>-</u>	<u>76,199,734</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 85,025,264</u>	<u>\$ 3,937,773</u>	<u>\$ (3,824,360)</u>	<u>\$ 85,138,677</u>
Less associated debt				(7,594,747)
Less non capital lease obligation				
Capital assets net of debt				<u>\$ 77,543,930</u>

Depreciation expense charged to Business Type Activities were as follows:

Business-Type Activities	Depreciation
Water/Sewer	\$ 2,403,898
Stormwater	18,149
Ambulance	25,491
Airport	31,339
Total Depreciation - Business - Type Activities	<u>\$ 2,478,877</u>

Collections Not Capitalized

The City has a collection of Indian artifacts that have been acquired over the years, the "Adam East Collection." This collection is held at the Moses Lake Museum and Art Center and is determined to be exempt from capitalization. This collection meets all the exemption requirements as follows:

1. The collection is held for public exhibition, education or research in furtherance of public service, rather than financial gain.
2. The collection is protected, kept unencumbered, cared for, and preserved.
3. The collection is subject to Moses Lake Museum & Art Center Collection Policy section VI: D which requires the proceeds from sales of collection items to be used to acquire other items for the collection.

Construction Commitments

The City has active construction projects as of December 31, 2017. The only active project with a significant outstanding commitment is improvements to Sand Dunes Wastewater Treatment Facility. Wastewater Capital reserves will be used to liquidate the commitment.

Project	Total Contract Amount Awarded	Spent to Date	Remaining Commitment
Sand Dunes WWTF	\$ 1,580,769	\$ 1,238,874	\$ 341,895

NOTE 6- PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the [GASB Statement 68, Accounting and Financial Reporting for Pensions](#) for the year 2017:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$ (5,100,511)
Pension Assets	\$ 2,899,206
Deferred outflows of resources	\$ 1,038,272
Deferred inflows of resources	\$ (1,596,478)
Pension expense/expenditures	\$ 186,346

State Sponsored Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), 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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January - June 2017		
PERS Plan 1	6.23 %	6.00 %
PERS Plan1 UAAL	4.77 %	-
Administrative Fee	0.18 %	-
Total	11.18 %	6.00 %
July - December 2017		
PERS Plan 1	7.49 %	6.00 %
Pers Plan 1 UAAL	5.03 %	-
Administrative Fee	0.18 %	-
Total	12.70 %	6.00 %

* For employees participating in JBM, the contribution rate was 12.26%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits.

PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates: January-June 2017	Employer	Employee*
January - June 2017:		
PERS Plan 2/3	6.23 %	6.12 %
PERS Plan 1 UAAL	4.77 %	- %
Administrative Fee	0.18 %	- %
Employee PERS Plan 3	- %	varies
Total	11.18 %	6.12 %
July - December 2017:		
PERS Plan 2/3	7.49 %	7.38 %
PERS Plan 1 UAAL	5.03 %	-
Administrative Fee	0.18 %	-
Employee PERS Plan 3	-	varies
Total	12.70 %	7.38 %

* For employees participating in JBM, the contribution rate was 15.30% for January-June 2017 & 18.45% for July-December 2017

The City's actual PERS plan contributions were \$333,872 to PERS Plan 1 and \$433,868 to PERS Plan 2/3 for the year ended December 31, 2017.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible

by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January - June 2017		
State and local governments	5.05 %	8.41 %
Administrative fee	0.18 %	- %
Total	5.23 %	8.41 %
Ports and Universities	8.41 %	8.41 %
Administrative fee	0.18 %	- %
Total	8.59 %	8.41 %
July - December 2017		
State and local governments	5.25 %	8.75 %
Administrative fee	0.18 %	- %
Total	5.43 %	8.75 %
Ports and Universities	8.75 %	8.75 %
Administrative Fee	0.18 %	- %
Total	8.93 %	8.75 %

The City's actual contributions to the plan were \$259,097 for the year ended December 31, 2017.

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. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$276,884.20.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3.0% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate

to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Rate of Return Arithmetic
Fixed Income	20.00 %	1.70 %
Tangible Assets	5.00 %	4.90 %
Real Estate	15.00 %	5.80 %
Global Equity	37.00 %	6.30 %
Private Equity	23.00 %	9.30 %
Total	100.00 %	- %

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 3,241,713	\$ 2,661,087	\$ 2,158,141
PERS 2/3	\$ 6,633,947	\$ 2,462,394	\$ (955,575)
LEOFF 1	\$ (346,393)	\$ (466,985)	\$ (570,546)
LEOFF 2	\$ 526,329	\$ (2,432,221)	\$ (4,842,725)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a total pension liability of \$(2,224,274) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 2,661,087
PERS 2/3	\$ 2,462,394
LEOFF 1	\$ (466,985)
LEOFF 2	\$ (2,432,221)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (466,985)	\$ (2,432,221)
State's proportionate share of the net pension asset associated with the employer	\$ (3,158,676)	\$ (1,577,737)
Total	\$ (3,473,490)	\$ (4,009,958)

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2016	Proportionate Share 6/30/2017	Change in Proportion
PERS 1	0.059 %	0.056 %	0.003 %
PERS 2/3	0.072 %	0.071 %	0.001 %
LEOFF 1	0.030 %	0.031 %	(0.001)%
LEOFF 2	0.168 %	0.175 %	(0.007)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans

except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (38,159)
PERS 2/3	\$ 237,052
LEOFF 1	\$ (76,777)
LEOFF 2	\$ 64,230
Total	\$ 186,346

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
Net different between projected and actual investment earnings on pension plan investments	\$ -	\$ (99,304)
Contributions subsequent to the measurement date	\$ 176,706	\$ -
Total	\$ 176,706	\$ (99,304)

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 2/3		
Differences between expected and actual experience	\$ 249,499	\$ (80,984)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (656,415)
Changes in assumptions	\$ 26,155	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ (78,096)
Contributions subsequent to the measurement date	\$ 254,564	\$ -
Total	\$ 530,218	\$ (815,495)

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEOFF 1		
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (43,394)
Total	\$ -	\$ (43,394)

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEOFF 2		
Differences between expected and actual experience	\$ 106,901	\$ (92,234)
Net different between projected and actual investment earnings on pension plan investment	\$ -	\$ (546,051)
Changes in assumptions	\$ 2,929	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 44,283	\$ (57,409)
Contributions subsequent to the measurement date	\$ 141,966	\$ -
Total	\$ 296,079	\$ (695,694)

	Deferred Outflows of Resources	Deferred Inflows of Resources
All Plans		
Difference between expected and actual experience	\$ 356,400	\$ (173,218)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,345,164)
Changes of assumptions	\$ 29,084	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 44,283	\$ (135,505)
Net difference between projected and actual investment earnings on pension plan investments	\$ 573,236	\$ -
Total	\$ 1,003,003	\$ (1,653,887)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018	\$ (67,123)	\$ (288,258)	\$ (27,233)	\$ (246,925)
2019	\$ 21,192	\$ 53,601	\$ 7,345	\$ 60,742
2020	\$ (4,921)	\$ (65,417)	\$ (2,933)	\$ (33,548)
2021	\$ (48,452)	\$ (272,127)	\$ (20,572)	\$ (234,554)
2022	\$ -	\$ 14,070	\$ -	\$ (15,589)
Thereafter	\$ -	\$ 18,290	\$ -	\$ (71,707)

Local Governments Firemens' Pension Plan

The City of Moses Lake is also the administrator of a pension retirement plan called Firemen's Pension Plan, which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.16 and 41.18. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefit provisions are established by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970, when the LEOFF retirement system was established.

The City's obligation under the Firemen's Pension Plan consists of paying the difference between pension benefits provided by LEOFF and those provided by the Firemen's' Pension Plan for covered firefighters who retire after March 1, 1970. The Plan is shown as a trust fund in the financial reports of the City.

Membership of the Firemen's Pension Plan	December 31, 2017
Retirees currently receiving full retirement benefits through LEOFF	6
Retirees receiving benefits through both LEOFF and FPP	2
Beneficiaries receiving benefits through FPP	1
Active plan members'	-

Contributions

Current contributions to the plan are comprised of interest on investments and the state tax on fire insurance. Pension payments increase by Cost of Living Allowances (COLAs) from the Washington State Retirement system. Medical insurance premiums and service costs were paid from the general fund fire department in 2015, therefore 2015 forward, 100% of pension fund assets are available for pension payments. COLAs are capped at three percent and will remain below projected increases in Medical Insurance Premiums. Assets, medical service costs, and premiums from the Firemen's Pension Plan are as follows:

Schedule of Funding Progress for Firemens' Pension Plan

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
12/31/2015	\$ 318,517	\$ 146,871	\$ (171,646)	217 %	\$ -	- %
12/31/2016	330,371	153,324	(177,047)	215 %	-	- %
12/31/2017	\$ 343,215	\$ 199,851	\$ (143,364)	172 %	\$ -	- %

Note: 2015 first year of actuarial valuation of pension plan without OPEB.

Schedule of Employer Contributions for the Firemens' Pension Plan

Fiscal Year Ending	Actual Employer Contribution	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contributions (ARC)	Percentage of ARC Contributed
12/31/2015	\$ -	\$ 29,272	\$ 29,272	\$ (10,105)	\$ -
12/31/2016	-	28,586	28,586	(8,534)	-
12/31/2017	\$ -	\$ 30,190	\$ 30,190	\$ (9,499)	\$ -

Note: 2015 first year of actuarial valuation of pension plan without OPEB

Annual Pension Cost and Net Position Obligation for the Firemen's Pension Plan		Fiscal Year Ending December 31, 2017
Annual required contribution (ARC)		
1. Amortization of UAAL-beginning of year	\$	(10,078)
2. Interest to end of year		(142)
3. ARC at end of year		(10,220)
Interest on NPO		(555)
Adjustment to ARC		2,242
Annual pension cost		(8,534)
Employer contributions		28,586
Change in NPO		11,519
NPO at beginning of year		(39,377)
NPO at end of year	\$	(27,858)

Net Pension Obligation Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Annual Pension Costs Contributed	Contribution as a Percent of APC	Net Pension Obligation (NPO)
12/31/2014	\$ -	\$ 28,955	- %	\$ -
12/31/2015	(10,105)	29,272	290 %	(39,377)
12/31/2016	(8,534)	28,586	335 %	(76,497)
12/31/2017	\$ (9,499)	\$ 30,190	318 %	\$ (79,066)

Note: 2015 first year of actuarial valuation of pension plan without OPEB

Deferred Compensation Plans

The City of Moses Lake offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Employees are offered a choice of plans with ICMA Retirement Corporation or the State of Washington Deferred Compensation Program. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The plan's funds, held in trust for the exclusive benefit of the participants and their beneficiaries, are not included in the presentation of the City's financial reports.

NOTE 7- RISK MANAGEMENT

The City of Moses Lake is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 161 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, with a \$25,000 deductible. Coverage includes general, automobile, police, errors or omissions, stopgap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sub-limits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sub-limits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sub-limits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel issues and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the inter-local, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of

WCIA's assets in financial instruments, which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

The City of Moses Lake maintains insurance against most normal hazards except for unemployment compensation where the City has elected to become self-insured. The City also has set aside monies for possible future self-insurance for accident insurance and this self-insures the first \$50,000. Independent claims managers' process claims. Based on the claims manager's estimates, the City's estimated liability for possible losses at December 31, 2017 were as follows:

Unemployment Compensation	\$ 10,000
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Claims settlements and loss expenses are accrued in the unemployment compensation fund for the estimated settlement value of both reported and unreported claims. This fund is responsible for collecting interfund premiums from insured funds and departments and for paying claim settlements. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures. The amount of unemployment claims paid for the last three years are:

2015	2016	2017
\$58,455	\$26,993	\$26,888

NOTE 8- LONG-TERM DEBT

A. LONG-TERM DEBT

The City of Moses Lake has issued general obligation and revenue bonds to finance the purchase of land or building upgrades and the acquisition or construction of reservoirs, an aquatic center, water and sewer lines and upgrade of wastewater treatment plants. Bonded indebtedness has also been entered into currently and in prior years to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues.

General obligation bonds currently outstanding are as follows:

<u>Name of Issuance</u>	<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Original Debt</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
				-		-
2010 LTGO Bond	Civic Center	09/07/2010	12/01/2020	5,925,000	2.00-3.25%	1,935,000
2012 LTGO Bond	Gov'tl - Internal Service Refunding	12/12/2012	09/01/2023	1,650,000	.75-3.00%	1,015,000
2015 LTGO Bond	Gov'tl Activities Refunding	7/14/2015	08/01/2026	2,970,833	3.00-4.00%	2,841,666
2015 LTGO Bond	Operation Complex Refunding	07/14/2015	08/01/2026	594,167	3.00-4.00%	568,334
Total				<u>\$ 11,140,000</u>		<u>\$ 6,360,000</u>

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 1,060,000	\$ 190,646	\$ 55,000	\$ 20,417	\$ 1,326,063
2019	1,092,500	160,446	57,500	18,767	1,329,213
2020	1,125,833	127,671	59,167	17,042	1,329,713
2021	475,000	92,233	60,000	15,267	642,500
2022	483,333	77,983	61,667	13,467	636,450
2023-2026	1,555,000	145,901	275,000	28,099	2,004,000
Total	<u>\$ 5,791,666</u>	<u>\$ 794,880</u>	<u>\$ 568,334</u>	<u>\$ 113,059</u>	<u>\$ 7,267,939</u>

Revenue bonds currently outstanding are as follows:

<u>Bond</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Original Debt</u>	<u>Interest Rate</u>	<u>Balance</u>
Revenue Bonds '04	10/13/2004	9/01/2024	\$ 7,015,000	5.00%	\$ 4,720,000
Revenue Bonds '11	08/23/2011	9/01/2021	4,905,000	2.5-3.25%	2,090,000
Total			<u>\$ 11,920,000</u>		<u>\$ 6,810,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2018	\$ 935,000	\$ 298,850	\$ 1,233,850
2019	975,000	263,350	1,238,350
2020	1,015,000	226,188	1,241,188
2021	1,060,000	184,713	1,244,713
2022	545,000	141,250	686,250
2023-2024	2,280,000	172,500	2,452,500
Total	<u>\$ 6,810,000</u>	<u>\$ 1,286,851</u>	<u>\$ 8,096,851</u>

Per Internal Revenue Service Code Section 148, rebate arbitrage are earnings on investments purchased from gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebate arbitrage must be paid to the federal government. The City of Moses Lake carefully monitors investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2017 the City has no arbitrage rebate liability.

Government Loans

Government loans have been received to provide for construction of proprietary fund capital. The City participates in a program administered by the state's Department of Community Development on behalf of the Public Works Trust Fund (PWTF) Board. The program provides low interest loans for local infrastructure projects. Government loans for improvements at Wastewater Treatment Plant (WWTP) outstanding at year-end are as follows:

Loan	Interest Rate	Amount
PWTF WWTP-Design	.50%	\$ 129,122
PWTF WWTP-Construction	.50%	2,647,059
Total		<u>\$ 2,776,181</u>

The annual debt service requirements to maturity for Government loans are as follows:

Year	Principal	Interest	Total
2018	\$ 561,692	\$ 13,881	\$ 575,573
2019	561,692	11,072	572,764
2020	561,692	8,264	569,956
2021	561,692	5,456	567,148
2022	529,412	2,647	532,059
Total	<u>\$ 2,776,180</u>	<u>\$ 41,320</u>	<u>\$ 2,817,500</u>

In proprietary funds, unamortized debt issue costs are recorded as deferred inflow and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, 2017, the City has \$184,487 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,284,375 in sinking funds and reserves as required by bond indentures.

NOTE 9- LEASES

Capital Leases

The City of Moses Lake has entered into lease agreements for financing machinery, equipment and other improvements. An insignificant portion of these capital leases were used to purchase items below the capitalization threshold and therefore are non-capital items.

These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business- Type Activities
Net Capital Lease Asset		
Machinery & Equipment	\$ 2,937,095	\$ -
Less Accumulated Depreciation	704,932	-
Total	<u>\$ 2,232,163</u>	<u>\$ -</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2017 are as follows:

Year	Governmental Activities	Business-Type Activities
2018	\$ 475,766	\$ -
2019	369,504	-
2020	312,234	-
2021	35,522	-
Total Minimum Lease Payments	1,193,026	-
Less: Interest	57,424	-
Present Value of Minimum lease Payments	<u>\$ 1,135,602</u>	<u>\$ -</u>

NOTE 10- CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2017	Additions	Reductions	Ending Balance 12/31/17	Due Within One Year	Internal Service Funds
Governmental activities						
Bonds payable:						
General obligation bonds	\$ 6,685,833	\$ -	\$ 894,167	\$ 5,791,666	\$ 1,060,000	\$ 2,950,000
Less deferred amount						
Issuance premiums(discounts)	309,064	-	42,518	266,546	-	77,279
Total bonds	6,994,897	-	936,685	6,058,212	1,060,000	3,027,279
Capital leases	1,391,468	505,400	675,048	1,221,820	362,574	1,221,820
Claims and judgements	-	-	-	-	-	-
Compensated absences	1,814,700	-	120,152	1,694,548	7,692	76,926
Pension	4,676,704	3,740,141	4,694,375	3,722,470	-	494,678
OPEB	987,158	78,586	-	1,065,744	-	-
Governmental liabilities	\$ 15,864,927	\$ 4,324,127	\$ 6,426,260	\$ 13,762,794	\$ 1,430,266	\$ 4,820,703
Business-type activities						
Bonds payable:						
General obligation bonds	\$ 594,167	\$ -	\$ 25,844	\$ 568,323	\$ 54,989	
Revenue bonds	7,715,000	-	905,000	6,810,000	935,000	
Less deferred amounts						
Issuance premiums(discounts)	249,493	-	33,069	216,424	-	
Total bonds	8,558,660	-	963,913	7,594,747	989,989	
Governmental loans	3,337,872	-	561,692	2,776,180	561,692	
Compensated absences	611,084	-	13,096	597,988	59,799	
Pension/OPEB	2,139,885	1,383,340	2,145,186	1,378,039	-	
Business-type liabilities	\$ 14,647,501	\$ 1,383,340	\$ 3,683,887	\$ 12,346,954	\$ 1,611,480	

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year end \$4,820,703 of internal service funds debt and compensated absences are included in the above amounts. Also, for the governmental activities except internal service funds, claims and judgments and compensated absences are generally liquidated by the general fund.

NOTE 11- CONTINGENCIES AND LITIGATIONS

The City of Moses Lake has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowance, if any, will be immaterial.

As of December 31, 2017, there were no significant lawsuits.

Of the litigation settled in the past three years, where the City was the defendant, none exceeded the insurance coverage.

NOTE 12- RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$3,623,535 of restricted component of net position, of which \$1,070,473 is restricted by enabling legislation.

NOTE 13- INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Loans between funds are classified as interfund loans receivable or payable on the statement of net position. The loans were for Operations Complex construction, Civic Center Construction, and operating expenses. Interfund balances at December 31, 2017 were as follows:

	DUE FROM				
DUE TO	GENERAL FUND	BUILDING MAINTENANCE	SANITATION FUND	AMBULANCE FUND	TOTALS
Water/Sewer	\$ 500,000	\$ 3,738,778	\$ 375,000	\$ 258,666	\$ 4,872,444
Totals	\$ 500,000	\$ 3,738,778	\$ 375,000	\$ 258,666	\$ 4,872,444

Interfund Transfers

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The principle reason for the transfers is to move the resources from the fund collecting them to the fund using them as required by statute or budget and to account for operating subsidies between funds in accordance with budget authorization. The interfund transfer activity for the year is as follows:

TRANSFER FROM						
TRANSFER TO	GENERAL	STREETS	TOURISM	DEBT SERVICE	WATER SEWER	TOTALS
General	\$ -	\$ -	\$ -	\$ 482	\$ 500,000	\$ 500,482
Grants and Donations	2,154	-	-	-	-	2,154
Streets	1,356,800	-	-	-	-	1,356,800
Debt Service	70,700	94,200	70,700	-	-	235,600
Ambulance	74,340	-	-	-	-	74,340
Totals	\$ 1,503,994	\$ 94,200	\$ 70,700	\$ 482	\$ 500,000	2,169,376

NOTE 14- OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In addition to the pension benefits described in Note No. 7, the City provides post-retirement medical care benefits for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977.

Membership

Currently the City has 16 individuals that meet the eligibility requirements. This is considered a closed group with no new eligible members.

Plan Description

The "plan" is required by State of Washington Revised Code (RCW) chapter 41.26. Employers, such as municipalities, counties, and fire districts, are required to pay the costs of necessary medical services for any active or retired members of the Law Enforcement Officers' and Firefighters' Retirement System Plan One (LEOFF I). Under subsection 4, the employer may provide for medical insurance through insurance carriers. The plan covers retirees who are retired on disability as well as those who are retired after reaching age requirements. To qualify for medical services, the employee need only be active or disability retired, or the employee's service retirement date is that day following separation from LEOFF employment with the City. To make this plainer, if the employee leaves the City and takes a job with another member of the Washington State Retirement System, regardless of the plan, then that member would then be liable for the employee's medical services. Employees may retire after 5 years of service after reaching age 50. Employees with 20 years of service who leave employment before retirement age are eligible for medical benefits upon reaching age 50. Insurance for retired individuals is provided through the employer's group plan, which covers both active and qualified retired members. The health insurance coverage and medical costs for retired firefighters are paid for out of the fire department budget and law enforcement officers are paid out of the police department budget. The medical services cover active and retired members only. Spouses are not eligible. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Status and Funding Policy

As of December 2017, there are no active members, and currently 16 retired members. Health insurance premiums are paid monthly. Other medical services are paid bi-monthly as billings are presented for reimbursement. The City reimburses 100 percent of the amount of validated claims for medical costs incurred by these individuals. The pension board performs an annual survey to determine the care to be covered. Employer contributions are financed on a pay-as-you-go basis. Fire fighter and police benefits are paid out of the general fund.

For 2017, the City paid medical insurance premiums of \$52,355 for pre-age 65 and \$94,728 for post-age 65. Other medical payments paid by the City are for all eligible medical services not paid for by the insurance.

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the Retiree Health Plan:

	Police	Fire	Total
Annual required contribution	\$ 106,281	\$ 165,384	\$ 271,665
Interest on net OPEB obligation	5,478	6,265	11,743
Adjustment to annual required contribution	<u>(25,215)</u>	<u>(28,837)</u>	<u>(54,052)</u>
Annual OPEB cost (expense)\	86,544	142,812	229,356
Contributions made	<u>62,404</u>	<u>88,364</u>	<u>150,768</u>
increase in net OPEB obligation	24,140	54,448	78,588
Net OPEB obligation-Beginning of year	454,245	532,913	987,158
Net OPEB obligation-End of year	<u>\$ 478,385</u>	<u>\$ 587,361</u>	<u>\$ 1,065,746</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual Required Contribution	Police Annual OPEB Costs Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	\$ 86,149	\$ 70,569	82 %	\$ 428,350
December 31, 2016	\$ 84,976	\$ 59,080	70%	\$ 454,245
December 31, 2017	\$ 86,543	\$ 62,404	72%	\$ 452,489

Fiscal Year Ended	Fire				Net OPEB Obligation
	Annual Required Contribution	Annual OPEB Costs Contributed	Percentage of Annual OPEB Cost Contributed		
December 31, 2015	\$ 139,013	\$ 114,513	82%	\$	489,878
December 31, 2016	\$ 140,273	\$ 97,238	69%	\$	532,913
December 31, 2017	\$ 142,811	\$ 88,364	62%	\$	544,325

Funding Status and Funding Progress

As of December 2017, the actuarial accrued liability for benefits was \$4,556,719 total of both departments.

Schedule of Funding Progress for the Leoff 1 Retiree Healthplan

Actuarial Valuation Date	Police						UAAL as a Percentage of Covered Payroll
	Value of Assets (a)	Accrued Liability (AAL)- Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)		
12/31/2015	-	\$ 1,726,773	\$ 1,725,773	-%	-		-%
12/31/2016	-	\$ 1,789,802	\$ 1,789,802	-%	-		-%
12/31/2017	-	\$ 1,782,679	\$ 1,782,679	-%	-		-%

Actuarial Valuation Date	Fire						UAAL as a Percentage of Covered Payroll
	Value of Assets (a)	Accrued Liability (AAL)- Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)		
12/31/2015	\$ -	\$ 2,658,332	\$ 2,658,332	-%	-		-%
12/31/2016	-	2,793,349	2,793,349	-%	-		-%
12/31/2017	\$ -	\$ 2,774,040	\$ 2,774,040	-%	-		-%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the health care cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The City used the alternative measurement method permitted under GASB Statement No. 45. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

There are no active employees in this plan. The historical age of retirement for regular retirees is 55 years of age; the City's average was 51 years of age. Employees who retired on disability were excluded from this calculation.

Life expectancies are based on mortality tables at the Office of the State Actuary for Washington (osa.leg.wa.gov). Life expectancies that included partial years were rounded to the nearest whole year. The calculation of post-employment health insurance coverage for each year in the worksheet is based on the assumption that all participants will live until their expected ages as displayed in the mortality tables.

The expected rate of increase in health care insurance premiums is based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, as published in National Health Care Expenditures Projections 2014-2024 Tables, Table 16: National Health Expenditure Amounts, and Annual Percent Change by Type of Sponsor: Calendar Years 2009-2025 published by the Health Care Financing Administration (www.cms.hhs.gov).

The assumed long-term earnings rate on current and expected investments that are expected to be used in financing the payment of benefits is 1.41%. The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 1.28 percent was used. In addition, the actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The funded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2017 is eighteen years.

NOTE 15- HEALTH & WELFARE

The City of Moses Lake 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, 2017, 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 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

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

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). 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 16- JOINT VENTURES

In 1995, the City of Moses Lake entered an Inter-local Cooperative Agreement under the authority of RCW Chapter 39.34 in order to provide for the joint exercise of powers, privileges and authorities to operate a consolidated 911 emergency dispatch facility named Multi Agency Communications Center (MACC). MACC serves as the Public Safety Answering Point for all of the law enforcement agencies in Grant County. The City paid a rate of \$51,337.60 per month in 2017. Other participants of the 1995 Agreement include: the City of Electric City, the City of Ephrata, the City of Grand Coulee, the City of Quincy, the City of Royal City, the City of Soap Lake, the City of Warden, Emergency Telephone Tax District, Ephrata Telephone Tax District, Grant County, Grant County Emergency Services, Grant County Coroner, Grant County Fire District #3, Grant County Fire District #4, Grant County Fire District #5/15, Grant County Fire District #6, Grant County Fire District #7, Grant County Fire District #8, Grant County Fire District #10, Grant County Fire District #11, Grant County Fire District #12, Grant County Fire District #13, Grant County Fire District #14, Grant County Mental Health, Grant County Public Hospital District #2 dba Quincy Valley Hospital, Grant County Sherriff Office, Port of Moses Lake, the Town of Coulee City, and the Town of Mattawa. Grant County will account for MACC as an Agency fund and financial reports can be obtained for MACC at the Grant County Auditor's Office, 37 C ST NW Ephrata, Washington, 98823.

NOTE 17- PRIOR PERIOD ADJUSTMENT

In 2017 the City is correcting its treatment of revenue recognition for non-exchange (i.e. tax) transactions in accordance with GASB 33. This correction is resulting in the restatement of Taxes Receivable for sales and hotel/motel taxes, and Due from other Governments for State Shared revenue that is based on state tax distributions received by the state but distributed to the City within 60 days after the first of the year. The following chart depicts the original reported 2016 ending balance, and the restated 2016 balance with the taxes receivable adjusted for the GASB 33 accrual:

Fund	Account	2016 as reported	Adjustment	2016 as Restated
General Fund	Taxes Receivable	\$1,366,489	\$1,145,138	\$2,511,627
General Fund	Due from Other Govt	4,015	24,978	28,993
Tourism Fund	Taxes Receivable	-0-	79,628	79,628
Street Fund	Due from Other Govt	-0-	71,703	71,703
Citywide Total		\$1,370,504	\$1,321,447	\$2,691,951

CITY OF MOSES LAKE
Required Supplementary Information

Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Streets

The City has taken a proactive approach with its maintenance practices associated with its streets and roads. The City performs condition assessments on its system of streets through the City Pavement Management System. This program generates a Pavement Condition Rating (PCR) for each segment of primary streets, secondary streets, tertiary collectors and residential streets. There is a numerical index from zero to 100 (0 - 100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as cracking. Based on the PCR valuation, condition ratings are assigned as follows: a PCR of less than 20 is considered to be in "very poor" condition; a PCR of greater than 20 but less than 40 is defined as having a "poor" status; a PCR of between 40 and 60 is regarded as being in "fair" condition; a PCR of 60 to 80 is evaluated as being in "good" status and a score from 80 to 100 is defined as being in "very good" condition. Condition assessments are undertaken at least once every three years. The three most recent complete assessments of the City's streets are shown below.

Condition rating	2017		2016 - 2014		2013 - 2011	
	Feet	%	Feet	%	Feet	%
VERY POOR	19,892	2.65 %	14,989	2.02 %	16,247	2.31 %
POOR	8,312	1.11 %	8,818	1.19 %	3,980	0.57 %
FAIR	29,231	3.90 %	18,746	2.53 %	31,465	4.48 %
GOOD	181,759	24.23 %	153,206	20.69 %	109,243	15.54 %
VERY GOOD	510,792	68.12 %	544,763	73.55 %	542,054	77.11 %
TOTAL	749,986	100.01 %	740,522	99.98 %	702,989	100.01 %

It is the Policy of the City Engineering Department to maintain 70 percent of the streets at a PCR of 40 or higher. The table below shows the length and percentage of feet of streets that meet the 40 target level

PCR score	2017		2016 - 2014		2013 - 2011	
	Feet	%	Feet	%	Feet	%
PCR 0 to 39	28,204	3.76 %	23,807	3.21 %	20,227	2.88 %
PCR 40 to 100	721,782	96.24 %	716,715	96.79 %	682,762	97.12 %
Total	749,986	100.00 %	740,522	100.00 %	702,989	100.00 %

The four classifications of streets that the City has are primary, secondary, tertiary collectors and residential. There is a state highway which is considered a primary street that bisects the City which is maintained and evaluated by the State of Washington, Department of Transportation. The majority of streets that fall below the PCR to 40 are residential streets. The majority of the remaining streets under the PCR of 40 is a section of the City that has no sewer services at this time. Once funding is available to extend utilities to the particular area it is the City's plan to construct paved streets and maintained them at a level consistent with the remainder of the City.

Below is information on budgeted and actual expenditures incurred to maintain and preserve the street system at or above the minimum acceptable condition level from 2009 to 2017

	Amounts in Thousands								
	2017	2016	2015	2014	2013	2012	2011	2010	2009
Budgeted	1,530	1,008	210	160	700	158	1,210	550	700
Expended	1,314	894	183	186	700	265	775	859	778

The budgeted amount is equivalent to the anticipated amount needed to maintain streets up to the recommended condition level. Under spending of budgeted amounts occurs when street projects are removed from the work schedule due to conflicts with other major construction work; lowering of priority due to cost considerations brought on by excessive bids over estimates or shortages of sufficient contractor bids; and through direction from Council.

Bridge

The City currently maintains one simple structure bridge. Physical inspections to determine the surface and underneath condition of the bridge and the degree of wear and deterioration are carried out every two years by City staff. Underwater inspections are contracted by the State Department of Transportation once every five years. Inspections reveal deficiencies in the bridge such as steel corrosion, damaged pillars, cracked concrete, deteriorated bridge decks and erosion. These are documented in an inspection report provided by the State Department of Transportation along with recommended repairs and needed services.

A key elements in determining the condition of the bridge is the Sufficiency Rating (SR), the numerical value which indicates a bridge's relative ability to serve its intended purpose, measure considered by state and federal governments as the basis for establishing eligibility and priority for the bridge replacement and rehabilitation. The numerical rating is based on the summation of four calculated values: structural adequacy and safety, serviceability and functional obsolescence, essentiality for public use, and special reductions. The value ranges from 100 (newly constructed bridge) to 0 (bridge incapable of carrying traffic).

In general, the lower the SR, the higher the priority. To qualify for replacement, a bridge must have a sufficiency rating of less than 50 and be structurally deficient or functionally obsolete. To be eligible for rehabilitation, a bridge must have a SR of 80 or less and be structurally deficient or functionally obsolete. A structurally deficient bridge is defined as one whole condition or design has impacted its ability to adequately carry intended traffic loads. A functionally obsolete bridge is one in which the deck geometry load carrying capacity, clearance, or approach roadway alignment has reduced its ability to adequately meet traffic needs below accepted design standards.

Below are the three most recent sufficiency ratings of the Alder St. causeway.

	<u>Sufficiency Rating</u>
2015	73%
2011	70%
2006	69%

It is the policy of the City to maintain its bridge in such a manner that the sufficiency rating is 20 or higher. A rating of 20 or less is usually indicative of a bridge with structural deficiency. The most common remedy is full replacement or rehabilitation of the bridge. As of September 30, 2015 the City's lone bridge was given a 'good' evaluation. With annual surface inspections and maintenance, as well as minimal water flow under the bridge it is anticipated that the bridge will continue to have favorable evaluation well into the future. With little change in the last two ratings the results of the City's efforts to maintain the bridge in above standard condition are evident.

Because the City's bridge is relatively small (149 feet long) the budget and actual expended amounts to

maintain and preserve the bridge are included in the budget and expended amounts for streets. Historically there has been no identifiable budget or expenditure for the maintenance of the lone bridge.

Budget amounts are the anticipated amount needed to maintain and preserve the bridge up to the required condition level. The traffic, weight loads, aging and weather extremes all have an effect on the condition and maintenance level of the bridge.

Storm Water

The City established a storm water fund in 2010, and in 2011 the City transferred assets worth \$4,197,819 previously held by the Street Department to the fund. The storm water system includes manholes, catch basins, underground injection control structures (i.e. drywells), infiltration basins, outfall structures and pipe. The City finished locating and documenting all storm water infrastructure in 2016, allowing all inspections to be entered into a comprehensive reporting system. The documentation was completed with the addition of the 29 miles of storm pipe. Condition assessments will be completed every three years with one-third of the system structures inspected annually. The City's storm pipe will be inspected over 8-10 years with those sections that are found to collect more sediment to be inspected on a more regular basis.

The rating system is a numerical index from zero to 100 (0-100) that represents the storm water's functional condition based on the quality, severity, and type of problem, such as sedimentation, structure cracks, etc. At this time there is no rating system for manholes. The City is developing a system that would closely mimic the existing rating system but currently manholes being inspected are given either a pass or fail grade. The measurement scale and basis for condition measurement is as follows:

Rating

-
- 70-100 Good Condition-serves the intended function and scores well in all areas
 - 41-69 Fair condition-serves the intended function, but scores less well and has other issues.
 - 0-40 Poor condition- may or may not fulfill its design function, has other serious issues, and requires maintenance or rebuild.

It is the policy of the City Engineering Department to maintain 70% of the storm water structures and pipe at a condition of 41 or higher. All manholes and 2 miles (8%) of pipe were inspected in 2016. All pipe inspected was found to be in fair to good condition. All catch basins have been inspected in the last three years as has 95% of the approximately 3,350 total structures. Of the inspected structures, excluding pipe, eight percent were in poor to fair condition with the remaining 92% in fair to good condition.

Budget amounts are the anticipated amount needed to maintain and preserve the storm water system up to the required condition level. The last five years are as follows.

	Amounts in Thousands				
	2017	2016	2015	2014	2013
Budgeted	\$ 595	\$ 673	\$ 516	\$ 546	\$ 507
Expended	\$ 625	\$ 590	\$ 475	\$ 523	\$ 466

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1
As of June 30, 2017
Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability (asset)	0.056081 %	0.059183 %	0.058920 %							
Employer's proportionate share of the net pension liability	\$ 3,011,814	\$ 3,178,406	\$ 3,082,064							
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 0	\$ 0	\$ 0							
TOTAL	\$ 3,011,814	\$ 3,178,406	\$ 3,082,064							
Employer's covered employee payroll	\$ 59,441	\$ 6,806,380	\$ 6,781,379							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	5,066.9 %	46.7 %	45.4 %							
Plan fiduciary net position as a percentage of the total pension liability	61.24 %	59.10 %	59.10 %							

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 2/3
As of June 30, 2017
Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability (asset)	0.070870 %	0.072259 %	0.072378 %							
Employer's proportionate share of the net pension liability	\$ 2,462,394	\$ 3,638,184	\$ 2,586,107							
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 0	\$ 0	\$ 0							
TOTAL	\$ 2,462,394	\$ 3,638,184	\$ 2,586,107							
Employer's covered employee payroll	\$ 6,942,538	\$ 5,806,141	\$ 6,633,123							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	35.5 %	62.7 %	39.0 %							
Plan fiduciary net position as a percentage of the total pension liability	90.97 %	85.82 %	89.20 %							

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
LEOFF Plan 1
For the Year Ended December 31, 2017
Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability (asset)	0.030779 %	0.030556 %	0.031497 %							
Employer's proportionate share of the net pension liability	\$ 466,985	\$ 314,814	\$ 379,608							
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 3,158,676	\$ 2,129,395	\$ 2,567,659							
TOTAL	\$ 3,625,661	\$ 2,444,209	\$ 2,947,267							
Employer's covered employee payroll	\$ 0	\$ 0	\$ 0							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.0 %	0.0 %	0.0 %							
Plan fiduciary net position as a percentage of the total pension liability	135.96 %	123.74 %	127.36 %							

CITY OF MOSES LAKE, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
LEOFF Plan 2
As of June 30, 2017
Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability (asset)	0.175273 %	0.168008 %	0.175245 %							
Employer's proportionate share of the net pension liability	\$ 2,432,221	\$ 977,185	\$ 1,801,168							
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 1,577,737	\$ 637,053	\$ 1,190,934							
TOTAL	\$ 4,009,958	\$ 1,614,238	\$ 2,992,102							
Employer's covered employee payroll	\$ 5,493,721	\$ 5,089,727	\$ 5,195,821							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	44.3 %	19.2 %	34.7 %							
Plan fiduciary net position as a percentage of the total pension liability	113.36 %	106.04 %	111.67 %							

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
PERS Plan 1
For the Year Ended December 31, 2017
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily or contractually required contributions	\$ 514,045	\$ 332,976	\$ 15,102							
Contributions in relation to the statutorily or contractually required contributions	\$ (514,045)	\$ (332,976)	\$ (15,102)							
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0							
Covered employer payroll	\$ 88,832	\$ 6,862,609	\$ 148,256							
Contributions as a percentage of covered employee payroll	578.67 %	4.85 %	10.19 %							

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
PERS Plan 2/3
As of December 31, 2017
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily or contractually required contributions	\$ 687,427	\$ 421,911	\$ 671,782							
Contributions in relation to the statutorily or contractually required contributions	\$ (687,427)	\$ (421,911)	\$ (671,782)							
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0							
Covered employer payroll	\$ 10,384,172	\$ 6,772,246	\$ 6,633,123							
Contributions as a percentage of covered employee payroll	6.62 %	6.23 %	10.13 %							

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
LEOFF Plan 1
As of December 31, 2017
Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily or contractually required contributions	\$ 0	\$ 0	\$ 0							
Contributions in relation to the statutorily or contractually required contributions	\$ 0	\$ 0	\$ 0							
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0							
Covered employer payroll	\$ 0	\$ 0	\$ 0							
Contributions as a percentage of covered employee payroll	0.00 %	0.00 %	0.00 %							

CITY OF MOSES LAKE, WASHINGTON
Schedule of Employer Contributions
LEOFF Plan 2
As of December 31, 2017
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily or contractually required contributions	\$ 418,850	\$ 258,688	\$ 272,168							
Contributions in relation to the statutorily or contractually required contributions	\$ (418,850)	\$ (258,688)	\$ (272,168)							
Covered employer payroll	\$ 7,991,703	\$ 5,122,544	\$ 5,195,821							
Contributions as a percentage of covered employee payroll	5.24 %	5.05 %	5.24 %							

Required Supplementary Information
Schedule of Changes in Total Pension Liability and Related Ratios
Last Ten Fiscal Years

Fiscal Year Ended	Annual Pension Cost (APC)	Annual Pension Costs Contributed	Contribution as a Percent of APC	Net Pension Obligation (NPO)
12/31/2008	N/A	N/A	N/A	N/A
12/31/2009	N/A	N/A	N/A	N/A
12/31/2010	N/A	N/A	N/A	N/A
12/31/2011	N/A	N/A	N/A	N/A
12/31/2012	N/A	N/A	N/A	N/A
12/31/2013	N/A	N/A	N/A	N/A
12/31/2014	N/A	28,955	N/A	N/A
12/31/2015	(10,105) \$	29,272	290	(39,377)
12/31/2016	\$ (8,534)	\$ 28,586	335 %	\$ (76,497)
12/31/2017	\$ (10,275)	\$ 30,190	294 %	\$ (79,842)

2015 first year of actuarial valuation of pension plan without OPEB

**CITY OF MOSES LAKE
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress
LEOFF 1 Retiree Medical Plan**

Police Fund

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (AAL) Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012		\$ 2,913,881	\$ 2,913,881	- %	0	0 %
12/31/2013		\$ 1,841,164	\$ 1,841,164	- %	0	0 %
12/31/2014		\$ 901,415	\$ 901,415	- %	0	0 %
12/31/2015		\$ 1,726,773	\$ 1,726,773	- %	0	0 %
12/31/2016	-	\$ 1,789,802	\$ 1,789,802	- %	0	0 %
12/31/2017	-	\$ 1,782,679	\$ 1,782,679	- %	0	0 %

Fireman Fund

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (AAL) Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$ 383,571	\$ 4,214,304	\$ 3,830,733	9 %	0	- %
12/31/2013	\$ 331,003	\$ 2,762,954	\$ 2,431,951	12 %	0	- %
12/31/2014	\$ 303,658	\$ 1,157,068	\$ 853,410	26 %	0	- %
12/31/2015	\$ -	\$ 2,658,332	\$ 2,658,332	- %	0	- %
12/31/2016	\$ -	\$ 2,793,349	\$ 2,793,349	- %	0	- %
12/31/2017	\$ -	\$ 2,774,040	\$ 2,774,040	- %	0	- %

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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