



Office of the Washington State Auditor

Pat McCarthy

Exit Conference: City of Tieton

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independence and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2016 through December 31, 2018 - see draft report.
- Financial statement audit for January 1, 2016 through December 31, 2018 - see draft report.

Audit Highlights

- City staff was friendly and responsive to audit documentation requests.
- City documents were nicely organized, which made it easy to review documentation.
- City Clerk/Treasurer was patient and kept us informed on status of additional request when multiple auditors were on-site.

Recommendations not included in the Audit Reports

Management Letters

Management letters communicate control deficiencies, non-compliance or abuse with a less-than-material effect on the financial statements or other items significant to our audit objectives. Management letters are referenced, but not included, in the audit report. We noted certain matters that we are communicating in a letter to management related to utility billings and restricted revenues.

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Communications required by audit standards

In relation to our financial statement audit report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.

- There were no material misstatements in the financial statements corrected by management during the audit.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

Management Representation Letter

We have included a copy of representations requested of management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$26,226 and actual audit costs will approximate to that amount.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in 2022 and will cover the following general areas:

- Accountability for Public Resources for 2019, 2020, and 2021
- Financial Statement for 2019, 2020, and 2021

The estimated cost for the next audit based on current rates is \$27,600, plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office so we can schedule your audit to meet federal single audit requirements. Federal awards can include grants, loans, and non-cash assistance such as equipment and supplies.

Working Together to Improve Government

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor is designed to offer services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean, peer-to-peer networking and culture-building to help local

governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at 360-725-5621 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

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Ann Strand, Program Manager, (509) 454-7848, Ann.Strand@sao.wa.gov

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Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Tieton

For the period January 1, 2016 through December 31, 2018

Published (Inserted by OS)

Report No. 1025360





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

Issue Date – (Inserted by OS)

Mayor and City Council
City of Tieton
Tieton, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value, and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government’s stewardship of public resources.

Attached is our independent audit report on the City’s compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

However, we noted certain matters that we communicated to City management and the Mayor and City Council in a letter dated January 30, 2020, related to utility billings and restricted revenues. We appreciate the City's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Tieton from January 1, 2016 through December 31, 2018.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures we performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2018, 2017 and 2016, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts receivable – utility billings, adjustments, and collections
- Procurement – public works, purchases and professional services
- Accounts payable – general disbursements and debit cards
- Use of restricted funds – building permits and City-County Assistance

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a significant deficiency in internal controls over financial reporting regarding the preparation of financial statements.

INFORMATION ABOUT THE CITY

The City of Tieton is located in Yakima County and serves approximately 1,200 citizens. The City provides a full range of municipal services including water/sewer/garbage, parks, library services and police protection.

An elected, five-member Council and a separately elected Mayor govern the City. The Council appoints management to oversee the City’s daily operations as well as its six employees. The City operated on budgets of \$1.3 million, \$1.17 million and \$3.5 million in fiscal years 2016, 2017 and 2018, respectively.

Contact information related to this report	
Address:	City of Tieton P.O. Box 357 Tieton, WA 98947
Contact:	Fred Munoz, Clerk/Treasurer
Telephone:	(509) 673-3162
Website:	http://cityoftietonwa.com/

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Tieton at <http://portal.sao.wa.gov/ReportSearch>.

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.

Contact information for the State Auditor’s Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov

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Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Tieton

For the period January 1, 2016 through December 31, 2018

Published (Inserted by OS)

Report No. 1025685





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

Issue Date – (Inserted by OS)

Mayor and City Council
City of Tieton
Tieton, Washington

Report on Financial Statements

Please find attached our report on the City of Tieton’s financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The City’s internal controls over financial reporting were inadequate to ensure the financial statements were accurate.

Background

City management and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing and following internal controls to ensure that the City’s financial statements, notes, and required schedules are prepared and presented fairly and to provide reasonable assurance regarding the reliability of these statements.

Our audit identified internal control deficiencies that hinder the City’s ability to produce accurate financial statements. Government auditing standards require auditors to communicate significant weaknesses in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We identified the following deficiencies in internal controls over accounting and financial reporting, that, when taken together, represent a significant deficiency. The City did not:

- Require an independent review of the financial statements by someone who understands City activity and applicable reporting requirements
- Evaluate fund balance adequately to ensure amounts provided through restricted and committed resources were properly reported as reserved and that the remaining funds were reported as unreserved
- Review changes to Budgeting, Accounting, and Reporting System (BARS) Manual accounts to ensure proper account coding
- Adequately ensure it properly reported transfers between funds

Cause of Condition

The City has not devoted sufficient time and resources to ensure financial statements accurately reflect the BARS Manual reporting requirements.

Effect of Condition

As a result of the internal control deficiencies, we identified the following errors:

- We estimate likely classification errors between reserved and unreserved fund balance of about \$91,923, \$139,546 and \$184,065 in 2016, 2017 and 2018, respectively.
- The City classified license and permit revenue totaling \$52,310, \$6,678, and \$135,466 as custodial activities in 2016, 2017 and 2018, respectively.
- The City classified natural and economic environment expenditures of \$52,332, \$30,319, and \$113,730 as custodial activities in 2016, 2017, and 2018, respectively.
- The City Council approved a \$250,000 transfer from the General Fund to Street Fund in December 2018. The City incorrectly reduced the General Fund's 2018 beginning balance by \$250,000 and increased the 2018 Street Fund's 2018 beginning balance by \$250,000. This also resulted in an understatement of \$250,000 for General Fund transfers out and Street Fund transfers in.

Recommendations

We recommend the City:

- Establish a detailed review of the financial statements by an independent person who understands reporting requirements for cash-basis entities to ensure accurate preparation of the City's financial statements
- Evaluate fund balance to properly classify reserved and unreserved balances
- Review changes to BARS Manual accounts to properly classify accounts
- Report transfers between funds correctly

City's Response

Thank you for identifying these issues. The City will work to correct these issues.

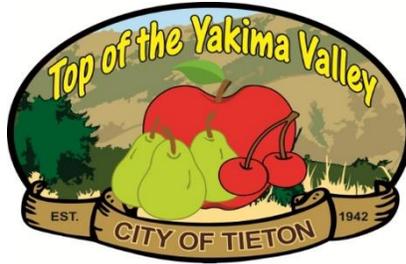
Auditor's Remarks

We appreciate the City's commitment to resolving the issues noted above and thank the City for its cooperation and assistance during the audit. We will follow up on it during the next audit.

Applicable Laws and Regulations

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Tieton

January 1, 2016 through December 31, 2018

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

Audit Period: January 1, 2013 to December 31, 2015	Report Ref. No.: 1018560	Finding Ref. No.: 1018560
Finding Caption: The City's internal controls over financial reporting are inadequate to ensure financial statements are accurate and complete.		
Background: It is the responsibility of City management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Controls must ensure that financial data is reliably authorized, processed and reported. The City reports its financial statements using the cash basis method prescribed by the <i>Budget, Accounting and Reporting System (BARS)</i> manual. Beginning in 2015, local governments using the cash basis method were required to report pension liabilities. Our audit identified significant deficiencies in controls over financial reporting that affected the City's ability to produce reliable financial statements.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The city will cross-train the Deputy Clerk to review the annual financial statements using BIAS Software annual report review check list.</i>		

**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 Tieton
January 1, 2016 through December 31, 2018**

Mayor and City Council
City of Tieton
Tieton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Tieton, as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated January 30, 2020.

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor’s *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 that we consider to be significant deficiencies.

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.



Pat McCarthy
State Auditor
Olympia, WA

January 30, 2020

**INDEPENDENT AUDITOR'S REPORT ON
FINANCIAL STATEMENTS**

**City of Tieton
January 1, 2016 through December 31, 2018**

Mayor and City Council
City of Tieton
Tieton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Tieton, for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Tieton has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor’s *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Tieton, and its changes in cash and investments, for the years ended December 31, 2018, 2017 and 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Tieton, as of December 31, 2018, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy
State Auditor
Olympia, WA

January 30, 2020

FINANCIAL SECTION

City of Tieton January 1, 2016 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fund Resources and Uses Arising from Cash Transactions – 2017
Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2018
Notes to Financial Statements – 2017
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Liabilities – 2017
Schedule of Liabilities – 2016

ABOUT THE STATE AUDITOR’S OFFICE

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

Contact information for the State Auditor’s Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov

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Management Letter

City of Tieton

January 1, 2016 through December 31, 2018

Utility billings

The City provides utility services to its 1,200 citizens and collects about \$766,000 annually. The City is responsible for designing and following internal controls to ensure compliance with state laws and City policies, and to ensure the safeguarding of public resources. Our audit identified areas where the City could improve its internal controls over utility billings:

- City staff entered Board approved utility rates and types of services into the billing software without an independent review to verify they were entered accurately. Water consumption rates for 2016 and sewer rates for apartment complexes for 2016, 2017 and 2018 were not billed correctly. Without an independent review, the City did not detect these errors. As a result, we estimate customer accounts were over-billed by about \$7,096, \$6,426 and \$6,557 in 2016, 2017 and 2018, respectively.
- The City decreased the billing rate for one customer's account. According to the City, the customer had a verbal agreement with the City to reduce the rate. However, the City did not keep records for this agreement or justification for the decrease in the billing rate. As a result, this account appears to have been under-billed by \$5,985, \$6,217 and \$6,454 in 2016, 2017 and 2018, respectively.
- City staff performed various adjustments to billings without an independent review. Total adjustments were \$333, \$2,898 and \$1,825 in 2016, 2017 and 2018, respectively.
- The City did not have a policy in place over delinquent accounts outlining the procedures for ensuring proper and timely collection of outstanding balances. As of October 2019, the City had outstanding balances of \$9,655.

We recommend the City:

- Perform an independent review of billing rates and types of services entered into the billing software regularly
- Keep proper records and justification when adjusting rates
- Independently review billing adjustments
- Establish a policy over the collection of delinquent accounts

Restricted revenues

The City collects a variety of revenues that are restricted to be used only for specific purposes. It is the City's responsibility to monitor these funds and to spend the money only for appropriate purposes.

The City received City-County Assistance revenue totaling \$22,946, \$41,482 and \$28,054 in 2016, 2017 and 2018, respectively. State law (RCW 43.08.290) restricts the use of this revenue for the cost of new programs and increases in service levels. The City did not know of this requirement and did not research to determine how these funds may be spent. Also, the City did not designate these funds as reserved. As a result, these funds might not have been used for appropriate purposes.

Additionally, the City received about \$246,000 in building permit revenue during 2016, 2017 and 2018. Under state law (RCW 82.02.20), cities may only collect building and land use permit fees to cover the cost of processing applications, inspecting and reviewing plans and preparing detailed statements required by state environmental policy. The City did not monitor the revenue and expenses to ensure it was not making a profit, and did not track all expenditures paid from those revenues. For 2016 through 2018, City revenues exceeded expenses by \$49,690. However, without tracking all expenses related to building and permit fees, the City cannot determine whether it met state law by recovering only the costs associated with the building and land use permits.

We recommend the City:

- Ensure that it uses City-County Assistance revenue for only allowable purposes
- Establish a process for documenting and monitoring expenditures paid from building and land use permit revenue to ensure the City follows state law by collecting fees only to cover the associated costs

2016 Uncorrected Items

Statement / Schedule	Description
Statement C-4	Garbage Revenues and Expenditures received and incurred from the contract the City has with Yakima Solid Waste are recorded in the general fund instead of an enterprise fund as required by RCW 35.37.010. For 2016, revenues is overstated in the general fund by \$99,807 (8% of total expenditures) and expenses are overstated by \$84,941 (6.8% of total expenditures).
2016 Notes	2016 Note 4 debt Service should have started from 2017-2021 separately then 2022-2026 in one increment.
2016 Notes	2016:Note 1 Summary of Significant Accounting policies: 2016 public safety fund 3/10 Final appropriated amount in the budget should be \$33,824.10 instead of \$35,510.82
2016 Notes	2016:Note 1 Summary of Significant Accounting policies: 2016 sewer construction fund Final appropriated amount in the budget should be \$50,576.67 instead of \$40,576.67
2016 Notes	2016: Note 1 Summary of Significant Accounting Policies: 2016 water/sewer fund Final appropriated amount in the budget should be \$568,590.00 instead of \$529,516.
2016 Notes	Note 1: The City incorrectly reported Reserved Ending Cash and Investments of \$118,607 and 68,383 in the general fund and capital improvements fund, respectively.
2016 Schedule of Liabilities	2016-We recalculated Compensated absences here and noted 2016 Compensated Absences ending balance should be \$45,459 the City underreported this balance by \$2,944. This was due to the City not reporting Social security, Medicare, PERS and LEOFF.

2017 Uncorrected Items

Statement / Schedule	Description
Statement C-4	Garbage Revenues and Expenditures received and incurred from the contract the City has with Yakima Solid Waste are recorded in the general fund instead of an enterprise fund as required by RCW 35.37.010. For 2017, revenues is overstated in the general fund by \$106,825 (6.9% of total expenditures) and expenses are overstated by \$84,840 (5.5% of total expenditures).
Statement C-4	We noted the City is netting refundable deposits for the Water/Sewer fund through account code 3891000. Per review of the BARS manual the proper way would be to report monies collected for deposits through account code 3891000 and expend them through account code 5891000 when they are refunded. As FY2017 year-end the City had \$1,135 recorded through account code 3891000 as a negative. We reviewed FAP data and noted this activity begin in 2017. In 2017 the City received \$3,985 in Utility Deposits and Refunded \$2,850 in Utility Deposits. In 2018 The City received \$3,200 in Utility Deposits and Refunded \$4,000 in Utility Deposits.
Statement C-4	We noted the City incorrectly coded a State Remittance payment of \$1,618 for Criminal Justice Sales and Use Tax (3137100) from May.
2017 Notes	2017 Note 1 Summary of Significant Accounting policies: 2017 Current Expense Final Appropriated Amount budgeted SB \$672,768.07 instead of \$675,768.07
2017 Notes	2017-Note 7 - The Joint Venture with CPC International, Inc. should be classified as a joint project. Component units and joint ventures are any legally separate organization that the government either controls (e.g., because it appoints a voting majority of the board) or holds an ongoing financial interest (e.g., equity interest) or has an ongoing financial responsibility (e.g., government is obligated in some manner for the debts of the organization).
2017 Notes	2017 Note 4 Debt Service general obligation 5 year increment Should be 2023-2027, then 2028-2029 (remaining years) as the increments should be 5 years
2017 Notes	Note 1: The City incorrectly reported Reserved Ending Cash and Investments of \$179,472 and \$61,104 in the general fund and capital improvements fund, respectively.

2018 Uncorrected Items

Statement / Schedule	Description
Statement C-4	Garbage Revenues and Expenditures received and incurred from the contract the City has with Yakima Solid Waste are recorded in the general fund instead of an enterprise fund as required by RCW 35.37.010. For 2018, revenues is overstated in the general fund by \$109,424 (3.4% of total expenditures) and expenses are overstated by \$85,942 (2.7% of total expenditures).
Statement C-4	We noted the City is netting refundable deposits for the Water/Sewer fund through account code 3891000. Per review of the BARS manual the proper way would be to report monies collected for deposits through account code 3891000 and expend them through account code 5891000 when they are refunded. As FY2017 year-end the City had \$1,135 recorded through account code 3891000 as a negative. AS FY2018 year-end the City had \$800 recorded through account code 3891000 as a negative. We reviewed FAP data and noted this activity begin in 2017. In 2017 the City receipted \$3,985 in Utility Deposits and Refunded \$2,850 in Utility Deposits. In 2018 The City receipted \$3,200 in Utility Deposits and Refunded \$4,000 in Utility Deposits.
2018 Notes	2018: the Unreserved 001 Current Expense Balance should be \$1,034,371 for a difference of \$250,000. The 101 Street Fund should be \$188,128 for a difference of \$250,000.
2018 Notes	2018: the 001 Current Fund Transfer-out Balance should be this \$250,000. This was a transfer approved by the council on 12/18 to the street fund.
2018 Notes	2018: Note 1 Summary of Significant Accounting Policies: 2018 W/S construction final appropriated amount budgeted s/b \$580,678 instead of \$585,678
2018 Notes	2018: Note 1 Summary of Significant Accounting Policies: 2018 water/sewer fund final appropriated amount budgeted s/b \$783,599 instead \$681,825
2018 Notes	2018: Note 3 Property Tax levy rate s/b 2.54633360 per \$1,000 on an assessed valuation of \$86,058,390 for a total regular levy of \$219,133.37
2018 Notes	2018-Note 7 - The Joint Venture with CPC International, Inc. should be classified as a joint project. Component units and joint ventures are any legally separate organization that the government either controls (e.g., because it appoints a voting majority of the board) or holds an ongoing financial interest (e.g., equity interest) or has an ongoing financial responsibility (e.g., government is obligated in some manner for the debts of the organization).
2018 Notes	2018 Note 4 Debt Service Should be increments of 5, 2024-2028, then 2029-2030.
2018 Notes	Note 1: The City incorrectly reported Reserved Ending Cash and Investments of \$218,785 and \$68,521 in the general fund and capital improvements fund, respectively.

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LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD
(USE THIS TEMPLATE FOR BARS CASH BASIS AUDITS)

January 30, 2020

Washington State Auditor's Office
Landmark Bldg. Room 204
230 S. 2nd Street
Yakima, WA 98901

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the City of Tieton for the period from January 1, 2016 through December 31, 2018. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
 - d. Communications from regulatory agencies, government representatives or others concerning possible material noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
 - e. Related party relationships and transactions.
 - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. Except as discussed with you, we have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.
10. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings, and we have provided you with all the information on the status of the follow-up on prior audit findings.
11. We are responsible for taking corrective action on audit findings and have developed a corrective action plan.

Additional representations related to the financial statements:

12. We acknowledge our responsibility for fair presentation of the financial statements and believe financial statements are fairly presented in accordance with the *Budgeting, Accounting and Reporting Standards Manual* (BARS Manual), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
13. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
14. The financial statements properly classify all funds and activities.

15. Revenues are appropriately classified by fund and account in accordance with the BARS Manual.
16. Expenses are appropriately classified by fund and account, and allocations have been made on a reasonable basis.
17. Ending cash and investments are properly classified as reserved and unreserved.
18. Significant assumptions we used in making accounting estimates are reasonable.
19. The following have been properly classified, reported and disclosed in the financial statements. as applicable:
 - a. Interfund, internal, and intra-entity activity and balances.
 - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Joint ventures and other related organizations.
 - d. Guarantees under which the government is contingently liable.
 - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements and other loss contingencies.
20. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
21. We acknowledge our responsibility to include all necessary and applicable disclosures required by the BARS Manual, including:
 - a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).
 - b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.
 - c. Any additional disclosures beyond those specifically required by the BARS Manual that may be necessary for the statements to be fairly presented.
22. We acknowledge our responsibility for reporting supplementary information, such as: the Schedule of Liabilities in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.

23. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.
24. We believe the effects of uncorrected financial statement misstatements summarized in the schedule of uncorrected items provided to us by the auditor are not material, both individually and in the aggregate, to the financial statements taken as a whole.
25. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

DeWane Ashbrooks
Mayor

Fred Munoz
Clerk/Treasurer