



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

City of Toppenish

Yakima County

For the period January 1, 2012 through December 31, 2013

Published August 25, 2014

Report No. 1012402





**Washington State Auditor
Troy Kelley**

August 25, 2014

Mayor and City Council
City of Toppenish
Toppenish, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Toppenish's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Yakima County
January 1, 2012 through December 31, 2013**

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Federal Summary

**City of Toppenish
Yakima County
January 1, 2013 through December 31, 2013**

The results of our audit of the City of Toppenish are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

**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 Toppenish
Yakima County
January 1, 2012 through December 31, 2013**

Mayor and City Council
City of Toppenish
Toppenish, 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 Toppenish, Yakima County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 14, 2014.

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 or permitted 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

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

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

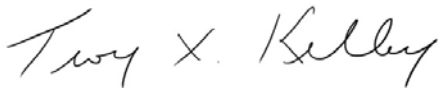
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

August 14, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Toppenish
Yakima County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Toppenish
Toppenish, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Toppenish, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

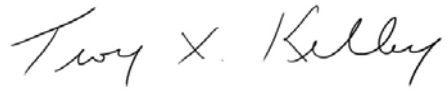
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

August 14, 2014

Independent Auditor's Report on Financial Statements

**City of Toppenish
Yakima County
January 1, 2012 through December 31, 2013**

Mayor and City Council
City of Toppenish
Toppenish, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Toppenish, Yakima County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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 an opinion 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 Toppenish has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the *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 financial position and results of operations of the City of Toppenish, for the years ended December 31, 2013 and 2012, 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 Toppenish, as of December 31, 2013 and 2012, 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

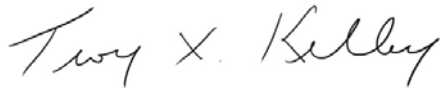
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Liabilities are also 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 August 14, 2014 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.



TROY KELLEY
STATE AUDITOR

August 14, 2014

Financial Section

**City of Toppenish
Yakima County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2012
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Schedule of Liabilities – 2013
Schedule of Liabilities – 2012
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	102 Street Capital Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	1,071,096	0	0	0
30880	Beg Fund Bal-Unreserved	7,235,473	1,578,955	180,109	25,899
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	3,701,942	3,522,280	0	0
320	Licenses & Permits	84,220	58,562	46	0
330	Intergovernmental Revenues	722,254	274,981	185,022	220,191
340	Charges for Goods and Services	5,044,819	679,404	3,252	0
350	Fines & Penalties	211,636	207,998	0	0
360	Miscellaneous Revenues	308,541	42,292	227	47
Total Operating Revenues:		10,073,412	4,785,516	188,547	220,238
Operating Expenditures					
510	General Government	1,349,584	1,346,673	0	0
520	Public Safety	3,485,117	3,457,129	0	0
530	Utilities	2,575,989	0	0	0
540	Transportation	202,873	0	202,873	0
550	Natural and Economic Environment	356,577	92,969	0	0
560	Social Services	1,612	1,612	0	0
570	Culture And Recreation	416,944	405,766	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		8,388,696	5,304,149	202,873	
Net Operating Increase (Decrease):		1,684,716	-518,633	-14,326	220,238
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	277,365	289,914	0	0
391-393	Debt Proceeds	2,575,015	0	0	0
397	Transfers-In	305,268	75,000	0	54,240
Total Nonoperating Revenues:		3,157,647	364,914		54,240
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	304,049	299,244	650	0
591-593	Debt Service	1,074,732	29,769	10	0
594-595	Capital Expenditures	3,626,266	140,620	0	256,170
597	Transfers-Out	329,620	34,353	36,000	0
Total Nonoperating Expenditures:		5,334,667	503,985	36,660	256,170
Increase (Decrease) in Cash and Investments		-492,303	-657,704	-50,986	18,308
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,047,205	0	0	0
50880	End Fund Balance-Unreserved	6,767,060	921,250	129,122	44,208

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		104 Trails & Path Services Fund	106 Tourism Development Fund	108 Cemetery Fund	116 Municipal Capital Improvement Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	637,576
30880	Beg Fund Bal-Unreserved	0	31,901	50,844	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	39,662	28,700	21,684
320	Licenses & Permits	0	25,613	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	45,490	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	42	97	679
Total Operating Revenues:			65,316	74,287	22,362
Operating Expenditures					
510	General Government	0	0	0	1,619
520	Public Safety	0	0	0	0
530	Utilities	0	0	56,749	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	77,351	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	7,052
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			77,351	56,749	8,670
Net Operating Increase (Decrease):			-12,034	17,538	13,693
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	4,628	0	0	0
Total Nonoperating Revenues:		4,628			
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	4,628	0	0	42,883
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		4,628			42,883
Increase (Decrease) in Cash and Investments		0	-12,034	17,538	-29,190
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	608,385
50880	End Fund Balance-Unreserved	0	19,866	68,382	0

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		119 Public Safety Grants Fund	121 Urban Development Action Grant (UDAG) Fund	129 Special Investigative Drug Account (SIDA) Fund	150 Special Projects Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	10,795	30,978	40,659	396,039
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	6,775	0	35,285	0
340	Charges for Goods and Services	0	0	0	97
350	Fines & Penalties	0	0	3,638	0
360	Miscellaneous Revenues	94,008	49	12,837	15,216
Total Operating Revenues:		100,783	49	51,760	15,314
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	16,842	0	11,147	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	26,614
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	4,126
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		16,842		11,147	30,740
Net Operating Increase (Decrease):		83,941	49	40,613	-15,427
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	852	15,184
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:				852	15,184
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	1,855	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	87,734	0	0	33,085
597	Transfers-Out	0	0	0	79,628
Total Nonoperating Expenditures:		87,734		1,855	112,713
Increase (Decrease) in Cash and Investments		-3,793	49	39,610	-112,956
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	7,002	31,028	80,270	283,083

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		170 Housing Rehabilitation Fund	225 Community Economic Development Loan (CERB) Fund	401 Water Fund	403 Wastewater Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	192,483
30880	Beg Fund Bal-Unreserved	375,710	22,548	2,005,360	1,413,002
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	16,670	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	1,415,990	2,066,150
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	28,583	21	63,568	47,782
Total Operating Revenues:		28,583	16,691	1,479,558	2,113,932
Operating Expenditures					
510	General Government	1,292	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	891,665	975,784
540	Transportation	0	0	0	0
550	Natural and Economic Environment	25,744	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		27,036		891,665	975,784
Net Operating Increase (Decrease):		1,547	16,691	587,893	1,138,148
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	96,428	0	-172,253	25,091
391-393	Debt Proceeds	0	0	2,575,015	0
397	Transfers-In	0	0	0	3,400
Total Nonoperating Revenues:		96,428		2,402,762	28,491
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	650	650
591-593	Debt Service	0	16,667	179,873	848,393
594-595	Capital Expenditures	21,021	0	2,636,783	9,274
597	Transfers-Out	0	0	50,820	59,120
Total Nonoperating Expenditures:		21,021	16,667	2,868,126	917,437
Increase (Decrease) in Cash and Investments		76,955	24	122,529	249,202
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	192,483
50880	End Fund Balance-Unreserved	452,665	22,573	2,127,888	1,662,204

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		405 Solid Waste Fund	457 Cable TV Fund	510 Vehicle Replacement Fund	701 Perpetual Care Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	241,037
30880	Beg Fund Bal-Unreserved	158,941	158,234	729,221	26,276
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	72,947	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	737,956	96,480	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	498	247	1,087	1,261
Total Operating Revenues:		738,453	169,675	1,087	1,261
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	651,792	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	133,900	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		651,792	133,900		
Net Operating Increase (Decrease):		86,662	35,775	1,087	1,261
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	16,850	0	0	5,300
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	168,000	0
Total Nonoperating Revenues:		16,850		168,000	5,300
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	1,000	0	0
591-593	Debt Service	0	20	0	0
594-595	Capital Expenditures	27,470	15,002	351,597	0
597	Transfers-Out	66,700	3,000	0	0
Total Nonoperating Expenditures:		94,170	19,022	351,597	
Increase (Decrease) in Cash and Investments		9,342	16,753	-182,510	6,561
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	246,337
50880	End Fund Balance-Unreserved	168,283	174,987	546,712	27,536

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	102 Street Capital Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	1,149,477	0	0	0
30880	Beg Fund Bal-Unreserved	7,495,351	1,898,850	227,231	16,076
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	3,608,337	3,442,522	0	0
320	Licenses & Permits	94,175	69,447	3	0
330	Intergovernmental Revenues	884,257	392,006	182,891	219,303
340	Charges for Goods and Services	5,095,859	927,654	3,175	0
350	Fines & Penalties	177,454	174,931	0	0
360	Miscellaneous Revenues	364,992	71,694	381	48
Total Operating Revenues:		10,225,074	5,078,255	186,450	219,351
Operating Expenditures					
510	General Government	1,332,287	1,332,287	0	0
520	Public Safety	3,464,822	3,421,929	0	0
530	Utilities And Environment	3,107,017	47,484	0	0
540	Transportation	203,413	0	203,413	0
550	Economic Environment	345,363	47,507	0	0
560	Mental & Physical Health	2,332	2,332	0	0
570	Culture And Recreation	394,372	394,372	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		8,849,606	5,245,910	203,413	
Net Operating Increase (Decrease):		1,375,468	-167,656	-16,963	219,351
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	429,587	253,394	0	0
391-393	Debt Proceeds	63,675	0	0	0
397	Transfers-In	138,629	19,630	0	29,500
Total Nonoperating Revenues:		631,891	273,025		29,500
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	275,081	271,832	650	0
591-593	Debt Service	1,036,148	50,638	10	0
594-595	Capital Expenditures	868,118	74,008	0	239,028
597	Transfers-Out	166,272	28,788	29,500	0
Total Nonoperating Expenditures:		2,345,619	425,265	30,160	239,028
Increase (Decrease) in Cash and Investments		-338,260	-319,898	-47,123	9,823
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,071,096	0	0	0
50880	End Fund Balance-Unreserved	7,235,473	1,578,955	180,109	25,899

The accompanying notes are an integral part of this Statement.

BARS Code		104 Trails & Path Services Fund	106 Tourism Development Fund	108 Cemetery Fund	116 Municipal Capital Improvement Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	722,783
30880	Beg Fund Bal-Unreserved	12,453	47,523	37,525	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	38,850	28,700	16,235
320	Licenses & Permits	0	24,724	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	51,795	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	24,047	72	88	1,052
Total Operating Revenues:		24,047	63,647	80,583	17,288
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	67,263	0
540	Transportation	0	0	0	0
550	Economic Environment	0	79,268	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			79,268	67,263	
Net Operating Increase (Decrease):		24,047	-15,621	13,320	17,288
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	88,354	0	0	0
Total Nonoperating Revenues:		88,354			
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	124,854	0	0	102,494
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		124,854			102,494
Increase (Decrease) in Cash and Investments		-12,453	-15,621	13,320	-85,207
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	637,576
50880	End Fund Balance-Unreserved	0	31,901	50,844	0

The accompanying notes are an integral part of this Statement.

BARS Code		119 Public Safety Grants Fund	121 Urban Development Action Grant (UDAG) Fund	129 Special Investigative Drug Account (SIDA) Fund	150 Special Projects Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	47,883	30,918	28,562	517,694
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	76,780	0	6,688	6,589
340	Charges for Goods and Services	0	0	0	2,798
350	Fines & Penalties	0	0	2,523	0
360	Miscellaneous Revenues	80	60	8,170	16,337
Total Operating Revenues:		76,860	60	17,381	25,724
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	37,635	0	5,259	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	37,196
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		37,635		5,259	37,196
Net Operating Increase (Decrease):		39,225	60	12,122	-11,472
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	274	75,905
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	1,144	0	0	0
Total Nonoperating Revenues:		1,144		274	75,905
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	299	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	57,827	0	0	97,733
597	Transfers-Out	19,630	0	0	88,354
Total Nonoperating Expenditures:		77,457		299	186,087
Increase (Decrease) in Cash and Investments		-37,088	60	12,097	-121,654
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	10,795	30,978	40,659	396,039

The accompanying notes are an integral part of this Statement.

BARS Code		170 Housing Rehabilitation Fund	225 Community Economic Development Loan (CERB) Fund	401 Water Fund	403 Wastewater Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	192,483
30880	Beg Fund Bal-Unreserved	314,989	22,517	1,778,801	1,516,039
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	16,670	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	1,343,600	1,955,705
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	7,336	27	62,789	3,345
Total Operating Revenues:		7,336	16,697	1,406,389	1,959,050
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	1,056,778	1,212,565
540	Transportation	0	0	0	0
550	Economic Environment	36,419	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		36,419		1,056,778	1,212,565
Net Operating Increase (Decrease):		-29,083	16,697	349,611	746,485
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	89,805	0	-16,866	3,400
391-393	Debt Proceeds	0	0	63,675	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		89,805		46,809	3,400
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	650	650
591-593	Debt Service	0	16,667	119,522	849,271
594-595	Capital Expenditures	0	0	49,689	3,000
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:			16,667	169,861	852,921
Increase (Decrease) in Cash and Investments		60,722	30	226,559	-103,036
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	192,483
50880	End Fund Balance-Unreserved	375,710	22,548	2,005,360	1,413,002

The accompanying notes are an integral part of this Statement.

BARS Code		405 Solid Waste Fund	457 Cable TV Fund	510 Vehicle Replacement Fund	701 Perpetual Care Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	234,212
30880	Beg Fund Bal-Unreserved	162,943	159,352	650,618	25,378
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	65,360	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	723,848	87,284	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	776	386	167,405	897
Total Operating Revenues:		724,625	153,029	167,405	897
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	722,927	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	144,973	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		722,927	144,973		
Net Operating Increase (Decrease):		1,697	8,056	167,405	897
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	16,850	0	0	6,825
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		16,850			6,825
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	1,000	0	0
591-593	Debt Service	0	40	0	0
594-595	Capital Expenditures	22,549	8,134	88,802	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		22,549	9,174	88,802	
Increase (Decrease) in Cash and Investments		-4,002	-1,118	78,603	7,722
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	241,037
50880	End Fund Balance-Unreserved	158,941	158,234	729,221	26,276

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	611 Pension Trust Fund	640 Municipal Court	645 Inmate Trust
308	Beginning Cash and Investments	17,012	0	13,576	3,437
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	6,537	6,537	0	0
380-390	Other Increases and Financing Sources	668,652	24,353	502,200	31,045
510-570	Expenditures	30,890	30,890	0	0
580-590	Other Decreases and Financing Uses	519,367	0	481,042	32,420
Increase (Decrease) in Cash and Investments		124,933	0	21,158	-1,375
508	Ending Cash and Investments	141,944	0	34,734	2,061

BARS Code		650 Toppenish TBD Fund
308	Beginning Cash and Investments	0
388 and 588	Prior Period Adjustments, net	0
310-360	Revenues	0
380-390	Other Increases and Financing Sources	111,054
510-570	Expenditures	0
580-590	Other Decreases and Financing Uses	5,904
Increase (Decrease) in Cash and Investments		105,150
508	Ending Cash and Investments	105,150

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	611 Pension Trust Fund	640 Municipal Court	645 Inmate Trust
308	Beginning Cash and Investments	14,670	0	11,625	3,045
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	5,899	5,899	0	0
370-390	Other Increases and Financing Sources	454,285	27,644	391,745	34,897
510-570	Expenditures	33,543	33,543	0	0
580-590	Other Decreases and Financing Uses	424,299	0	389,794	34,505
Increase (Decrease) in Cash and Investments		2,342	0	1,951	392
508	Ending Cash and Investments	17,012	0	13,576	3,437

The accompanying notes are an integral part of this Statement.

CITY OF TOPPENISH
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

The following notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Toppenish reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Toppenish, Yakima County, Washington, was incorporated on April 29, 1907, 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 Toppenish is a general purpose government and provides municipal court, police, fire, parks and recreation, planning and zoning, street maintenance and improvements, cemetery, housing rehabilitation and community development (including code enforcement and building inspections), community policing, water supply/treatment/distribution, sanitation services and sewage collection/treatment. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense)

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

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Pension Trust Funds

These funds are used to account for the operations of a trust established for employee retirement benefits.

Agency Funds

These funds are used to account assets that the City holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

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

The City Manager is authorized to transfer budgeted amounts between (departments within any fund and object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund Number	Description	Budget	Actual	Balance
001	General Fund	\$5,715,260.00	\$5,332,216.82	\$383,043.18
002	General Fund Reserve Fund	\$706,120.00	\$134,284.44	\$571,835.56
003	Welcome Center Fund	\$12,310.00	\$1,392.67	\$10,917.33
004	Railroad Depot Facility Fund	\$8,730.00	\$8,030.80	\$699.20
030	Criminal Justice Fund	\$374,220.00	\$340,241.62	\$33,978.38
101	Street Fund	\$368,960.00	\$239,533.59	\$129,426.41
102	Street Capital Fund	\$447,490.00	\$256,169.45	\$191,320.55
104	Trails & Paths Services Fund	\$4,640.00	\$4,627.54	\$12.46
106	Tourism Fund	\$88,200.00	\$77,351.10	\$10,848.90
108	Cemetery Fund	\$127,550.00	\$56,749.17	\$70,800.83
116	Municipal Capital Improvements Fund	\$576,400.00	\$51,553.72	\$524,846.28
119	Public Safety Grants Fund	\$141,350.00	\$104,576.54	\$36,773.46
121	Urban Development Action Grant Fund	\$31,020.00	\$0.00	\$31,020.00
129	Special Investigative Drug Account Fund	\$83,230.00	\$13,001.47	\$70,228.53
150	Special Projects Fund	\$424,540.00	\$143,453.07	\$281,086.93
170	Housing Rehabilitation Fund	\$497,800.00	\$48,055.90	\$449,744.10
225	Community Econ Devel Revit Loan Fund	\$39,200.00	\$16,666.59	\$22,533.41
401	Water Fund	\$2,790,280.00	\$1,138,247.07	\$1,652,032.93
403	Wastewater Fund	\$3,126,120.00	\$2,009,231.54	\$1,116,888.46
405	Solid Waste Fund	\$938,470.00	\$745,961.60	\$192,508.40
410	Water Capital Fund	\$7,075,540.00	\$2,706,258.32	\$4,369,281.68
413	Wastewater Capital Fund	\$569,070.00	\$9,273.53	\$559,796.47
427	DOE Centennial Sewer Reserve Fund	\$192,480.00	\$0.00	\$192,480.00
457	Cable TV Fund	\$302,930.00	\$152,919.77	\$150,010.23
458	Cable TV Equipment Reserve Fund	\$75,150.00	\$15,001.71	\$60,148.29
510	Vehicle Replacement Fund	\$886,000.00	\$351,596.42	\$534,403.58
611	Firemen's Pension & Welfare Fund	\$34,500.00	\$30,889.52	\$3,610.48
701	Cemetery Trust Fund	\$270,490.00	\$0.00	\$270,490.00

d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. Investments – See Note 2 – Investments

g. Capital Assets

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

h. Compensated Absences

Union contracts with employees and the City's Personnel Policy Manual call for the accumulation of vacation leave and sick leave for eligible City employees.

As of December 31st of each year, no employee is permitted to have an accumulated amount of accrued vacation leave in excess of 240 hours for Teamsters members, 720 hours for International Association of Firefighters (IAFF), and 260 hours for Department Directors. At termination of employment, employees receive cash payments for all accumulated vacation leave based on wages at time of termination.

Sick leave may be accumulated up to 960 hours for all employees with the exception of the IAFF members who have a maximum accumulation of 1440 hours. Upon resignation, death or retirement, after completing at least 10 years of service, an employee shall be paid 25% of their accumulated sick leave with IAFF members limited to a maximum of 360 hours.

i. Long-Term Debt – See Note 5 – Debt Service Requirements

j. Other Financing Sources Or Uses

The City's "Other Financing Sources or Uses" consist of Transfers-In, Transfers-Out, proceeds of other long-term debt, and compensation for loss of capital assets and insurance recoveries.

k. Risk Management

The City of Toppenish 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 162 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, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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 Interlocal, 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.

I. Reserved Fund Balance

The reserved fund balances, at year-end, for the City include Municipal Capital Improvement Fund 116 in the amount of \$608,385.46 collected from the first quarter real estate excise tax, Sewer Fund 403 in the amount of \$192,482.66 as debt service reserve, and Perpetual Care Fund 701 in the amount of \$246,336.59 for future care of the cemetery.

NOTE 2 - INVESTMENTS

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

Investments are presented at cost.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
State Investment Pool	\$6,323,767
U.S Bank Safekeeping – Fed Mortgage Assn	1,085,175
Smith Barney/Morgan Stanley	118,948
Total Investments	<u>\$7,527,890</u>

NOTE 3 - PROPERTY TAXES

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

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

The City's regular levy for 2013 was \$2.76733055 per \$1,000 on an assessed valuation of \$280,832,830 for a total regular levy of \$777,157.27.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following table displays Interfund Loan activity during 2013:

Borrowing Fund	Lending Fund Due To	Balance 01/01/2013	2013 New Loans	2013 Repayments	Balance 12/31/2013
001	405	\$ 90,870	\$ 0	\$13,900	\$ 76,970
101	405	\$ 2,080	\$ 0	\$ 650	\$ 1,430
401	405	\$ 2,070	\$ 0	\$ 650	\$ 1,420
403	405	\$ 2,080	\$ 0	\$ 650	\$ 1,430
457	405	\$ 6,500	\$ 0	\$ 1,000	\$ 5,500
Totals		\$ 103,600	\$ 0	\$16,850	\$ 86,750

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the City and summarizes the City's debt transactions for year ended December 31, 2013.

The debt service requirements for General Obligation Bonds, Revenue Bonds and Public Works Trust Fund Loans including both principle and interest, are as follows:

Year	General Obligation Bonded Debt	Revenue Debt	Other Debt	Total Debt
2014	\$119,725	\$639,428	\$302,184	\$1,061,337
2015	\$104,926	\$639,428	\$300,916	\$1,045,269
2016	\$90,127	\$639,428	\$299,033	\$1,028,587
2017	\$90,127	\$639,428	\$480,744	\$1,210,299
2018		\$639,428	\$416,830	\$1,056,257
2019-2023		\$2,812,173	\$1,842,244	\$4,654,417
2024-2028		\$2,234,725	\$1,156,004	\$3,390,729
2029-2033		\$893,890	\$541,413	\$1,435,303
2034-2036			\$312,590	\$312,590
TOTAL	\$404,905	\$9,137,926	\$5,651,958	\$15,194,789

NOTE 6 - PENSION PLANS

a. Public Employees’ Retirement System (PERS) Plans 1, 2, & 3, Public Safety Employees’ Retirement System (PSERS), and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plans 1 & 2

Substantially all City full-time and qualifying part-time employees participate in Public Employees’ Retirement System (PERS) Plans 1, 2 or 3, Public Safety Employees’ Retirement System (PSERS), or Law Enforcement Officers’ and Fire Fighters’ Retirement System Plans 1 or 2 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Toppenish’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

b. Volunteer Firefighters Relief And Pension Fund

The Volunteer Fire Fighter's Relief and Pension Fund System is a cost-sharing, multiple-employer retirement system which was created by the Legislature in 1945 under RCW Chapter 41.24. It provides pension, disability, and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; and 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. However, members may elect to withdraw their contribution upon termination.

c. Firemen's Pension & Welfare

The Firemen's Pension & Welfare is a closed system operated by the City. Membership is limited to firefighters employed prior to March 1, 1970. The City's liability under the system is composed of all benefits for firefighters retired prior to March 1, 1970, and excess benefits over LEOFF for firefighters retired after March 1, 1970, who are members of the system.

The most recent actuarial study of the system was done by the firm of Loomis & Kennedy, Inc., to determine the funding requirements as of December 1968. As of that date, the book value of the plan assets was \$129,069. Current assets of this fund are \$0. Beginning in 2011, the Firemen's Pension & Welfare Fund has been supported by the General Fund.

NOTE 7 – POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note 7, the City of Toppenish provides post retirement health care benefits, in accordance with the Law Enforcement Officers and Firefighters (LEOFF) Retirement System to seven employees who are receiving medical benefits under the City's insurance program.

The City of Toppenish reimburses 100 percent of the balance after insurance of validated claims for medical and hospitalization costs incurred by retirees. During the year, expenditures of \$105,400 were recognized for post-retirement health care.

NOTE 8 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the International City Managers Association Retirement Corporation (ICMA RC). 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 unforeseeable emergency. The deferred compensation balance with ICMA RC is not reported on the financial statements of the City.

In 2012, the City began offering an additional deferred compensation plan also created in accordance with Internal Revenue Code Section 457. This plan is with Nationwide Retirement Solutions (Nationwide), and is available to all employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation balance with Nationwide is not reported on the financial statements of the City.

NOTE 9 – JOINT VENTURES

The City's of Toppenish, Wapato, Zillah and the Town of Granger, Washington, have adopted a Cable Television (CATV) franchise ordinance within their respective jurisdictions. The CATV ordinance provides for the payment of franchise fees to each city and town being a party to the Interlocal Agreement for Administration of Finances for Cable TV Franchises in an amount equal to 5% of the cable television company's gross revenues from all sources attributable to the operations of the cable television company within the confines of each respective jurisdiction. As an additional source of revenue, each City and Town pays an amount equal to the amount collected as public utility taxes. The fees are used to administer the franchise as well as to further the development of public and community uses of cable television within each of the respective jurisdictions. In order to provide for a cooperative and efficient administration of the franchise among the various jurisdictions, the parties have agreed that the City of Toppenish shall provide financial management services to the Cable Regulation Board and administer the budget. The cities pay the fees to the Cable Television Fund of the City of Toppenish out of which are paid costs, debts, and expenses incurred in the administration of the franchise and local access as approved by the Cable Regulation Board.

NOTE 10 – OTHER DISCLOSURES

a. Construction in Progress

Well No. 9 Construction: The City received loan approval from the Public Works Trust Fund Board for the development of a new well. The project was funded through a Drinking Water State Revolving Fund Loan through the Public Works Trust Fund. The City has secured the property which is a requirement for the well permit to be issued by the Yakama Indian Nation. Initial construction development began in 2011. The estimated completion date is sometime in the spring of 2014. This project includes Transmission Lines including under-road conduits, Well Construction, and Well House with fluoridation, chlorination and telemetry.

L Street Improvement Project: In August, 2012, the City was awarded funding in the amount of \$69,309 from Department of Transportation Federal Highway Administration (FHWA). The City match was \$22,291 for total design costs of \$91,600. These FHWA funds are American Recovery and Reinvestment Act of 2009 (ARRA) funds, and will provide design to widen the existing roadway to include two 10½ feet of travel lanes. The Design phase was completed in November, 2013. In October, 2013, the City was awarded an additional \$765,871 in FHWA funds for the construction phase of the L Street Improvement Project. The City match for this phase will be \$119,545 for total construction costs of \$885,525 with estimated completion date of

Jackson Street Extension Project: In August, 2012, the City was awarded funding from Department of Transportation Federal Highway Administration (FHWA). These funds are American Recovery and Reinvestment Act of 2009 (ARRA) funds, and will provide design to reconstruct Jackson Street from Juniper Street west approximately 1,000 feet, then extend Jackson Street approximately 2,000 feet to Ward Road.

New 1.7 MG Standpipe Water Reservoir Project: In November, 2012, the City contracted with the Washington State Department of Commerce for Drinking Water State Revolving Fund Loan (DWSRF). These funds are originally provided through Environmental Protection Agency Office of Water through the American Recovery and Reinvestment Act of 2009 (ARRA). The loan is in the total amount of \$3,518,133.00, consists of a 24-year loan term with 1% interest.

b. Completed Construction Projects:

2013 Water System Improvements Project: In August, 2012, the City contracted with the Washington State Department of Commerce for Drinking Water State Revolving Fund Loan (DWSRF). These funds are state provided funds. The loan is in the total amount of \$1,199,072.00, consisting of a 24-year loan term with 1% interest. This project included water pipeline replacement of approximately 3,300 linear feet with new 8" pipe, water main loops with an additional 2,400 linear feet of new 8" piping, installation of 11 new hydrants, replace 61 H2O services which includes approximately 1,634 total linear feet. The 2013 Water System Improvements Project was declared complete on January 13, 2014, with the earliest possible date to release retainage of March 14, 2014.

2013 Washington Avenue Resurfacing Project: In December 2012, the City contracted with the Washington State Transportation Improvement Board (TIB) for a Motor Vehicle Fuel Tax Grant. These funds are state provided funds. The grant was in the total amount of \$164,735 with \$18,240 contributed by the Water and Sewer Funds equally (\$9,120/each). This project consisted of arterial preservation resurfacing of Washington Avenue from Buena Way to Alder Street. Approximately 400 linear feet of resurfacing was impacted by the installation of water and sewer improvements. The Washington Avenue Resurfacing Project was declared complete in September, 2013 and retainage was released in January, 2014.

c. Transportation Benefit District:

The City of Toppenish created a Transportation Benefit District on March 26, 2013. The MCAG number of 3044 was established by the Washington State Auditor's Office. Reporting for the Transportation Benefit District has been submitted as required with the State Auditor's Office.

d. Potential Litigation

1. A Claim for Damages was filed in November, 2010 alleging injuries as a result of arrests. The plaintiffs' filed a lawsuit. The lawsuit has tentatively been settled within the City's insurance coverage. The plaintiff's bankruptcy court judge must approve the settlement. When approved the litigation will conclude.
2. The City was served and included in a lawsuit in November 2013. The lawsuit alleges federal civil rights violations by a City of Toppenish Police Officer and Corrections Officer regarding an arrest. The suit has been assigned to a Defense Attorney by the City's Insurance Pool, Washington Cities Insurance Authority (WCIA). The trial Court dismissed the City from the lawsuit through Summary Judgment. The plaintiff has appealed the decision to the Court of Appeals. The City has been notified that there may be some limited liability coverage, the city is following the progress of this suit closely
3. A Claim for Damages was filed in 2011 for an injury car accident. The claimant had surgery and is represented by an attorney. The claim is handled by the City's Insurance Pool, WCIA. The claim is likely to be fully covered by the Pool.
4. A federal civil rights lawsuit was started in 2013 alleging excessive force during a police traffic stop. The City's Insurance Pool, WCIA, assigned defense counsel for the City and Officers. The City received a Reservation of Rights letter from WCIA noting the punitive damages, which were alleged against the Officers, are not covered through insurance.

5. A Claim for Damages was filed in 2014 alleging excessive force during a police Domestic Violence investigation. The City's Insurance Pool, WCIA, assigned an adjuster to handle the claim. If not settled in the claim stage, the claim may bring litigation.

e. Disclosures of Interest

1. In 2013 the City moved all Medicare age LEOFF I retirees to an alternative insurance plan called Medicare Advantage offered through the Association of Washington Cities (AWC) Employee Benefit Trust. This action will provide an estimated \$35,000 a year savings to the City in LEOFF I benefit payments.
2. In the fall of 2013 the Police Teamsters bargaining unit began a transition from Teamsters to the Toppenish Police Officer's Association as part of the Fraternal Order of Police (FOP). The transition was completed in early 2014.
3. On October 10, 2011 the Toppenish City Council adopted Ordinance 2011-12, which required utility accounts to be placed in the owner's name and eliminated the Utility Deposit. Customers were given a one-year period to comply with this ordinance, and all accounts were in the name of the owner by January 1, 2013. All Utility Deposits were either applied to the account or refunded by January 31, 2013.
4. The City of Toppenish has been experiencing a decreasing fund balance in the General Fund. In 2008 the City determined that there was a significant amount in the General Fund balance and the City Council made a deliberate effort to reduce that fund balance to provide a more effective distribution of the City funds and the services provided to the public. The City hired 3 new Police Officers, 2 additional Fire Fighters, and a full-time Park and Recreation Director during a budget climate that would sustain those hires. However shortly thereafter, the City began to see a swift and significant decline in revenues, in great part due to the State claiming more and more of those funds that were previously shared with the Cities. During the 2015 budget cycle the City will more than likely experience a reduction in services provided through the General Fund.

CITY OF TOPPENISH
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2012 THROUGH DECEMBER 31, 2012

The following notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Toppenish reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. The basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Toppenish, Yakima County, Washington, was incorporated on April 29, 1907, 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 Toppenish is a general purpose government and provides municipal court, police, fire, parks and recreation, planning and zoning, street maintenance and improvements, cemetery, housing rehabilitation and community development (including code enforcement and building inspections), community policing, water supply/treatment/distribution, sanitation services and sewage collection/treatment. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense)

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

Special Revenue Funds

These funds account for specific revenues that are restricted or committed to expenditures for specified purposes of the City.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Pension Trust Funds

These funds are used to account for the operations of a trust established for employee retirement benefits.

Agency Funds

These funds are used to account assets that the City holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

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

The City Manager is authorized to transfer budgeted amounts between (departments within any fund and object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund Number	Description	Budget	Actual	Balance
001	General Fund	\$5,932,470.00	\$5,234,843.22	\$697,626.78
002	General Fund Reserve Fund	\$705,700.00	\$0.20	\$705,699.80
003	Welcome Center Fund	\$10,310.00	\$881.80	\$9,428.20
004	Railroad Depot Facility Fund	\$8,730.00	\$8,333.82	\$396.18
030	Criminal Justice Fund	\$491,410.00	\$425,447.90	\$65,962.10
080	Administrative Expenses Fund	\$10,000.00	\$10,000.00	\$0.00
101	Street Fund	\$418,950.00	\$233,572.15	\$185,377.85
102	Street Capital Fund	\$268,550.00	\$239,028.11	\$29,521.89
104	Trails & Paths Services Fund	\$168,140.00	\$124,854.36	\$43,285.64
106	Tourism Fund	\$91,240.00	\$79,268.17	\$11,971.83
108	Cemetery Fund	\$121,460.00	\$67,263.53	\$54,196.47
116	Municipal Capital Improvements Fund	\$740,100.00	\$102,494.59	\$637,605.41
119	Public Safety Grants Fund	\$125,750.00	\$115,092.28	\$10,657.72
121	Urban Development Action Grant Fund	\$30,950.00	\$0.27	\$30,949.73
129	Special Investigative Drug Account Fund	\$26,190.00	\$5,558.42	\$20,631.58
150	Special Projects Fund	\$614,050.00	\$223,283.52	\$390,766.48
170	Housing Rehabilitation Fund	\$393,700.00	\$36,419.54	\$357,280.46
225	Community Econ Devel Revit Loan Fund	\$39,270.00	\$16,666.83	\$22,603.17
401	Water Fund	\$2,615,250.00	\$1,234,590.60	\$1,380,659.40
403	Wastewater Fund	\$3,449,950.00	\$2,188,717.22	\$1,261,232.78
405	Solid Waste Fund	\$904,830.00	\$745,476.40	\$159,353.60
410	Water Capital Fund	\$6,537,200.00	\$67,879.59	\$6,469,320.41
413	Wastewater Capital Fund	\$345,940.00	\$6,439.80	\$339,500.20
427	DOE Centennial Sewer Reserve Fund	\$192,480.00	\$0.00	\$192,480.00
457	Cable TV Fund	\$307,750.00	\$176,012.49	\$131,737.51
458	Cable TV Equipment Reserve Fund	\$60,100.00	\$8,134.62	\$51,965.38
510	Vehicle Replacement Fund	\$820,000.00	\$88,802.10	\$731,197.90
611	Firemen's Pension & Welfare Fund	\$35,000.00	\$33,542.85	\$1,457.15
701	Cemetery Trust Fund	\$265,090.00	\$0.00	\$265,090.00

d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

f. Investments – See Note 3 – Investments

g. Capital Assets

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

h. Compensated Absences

Union contracts with employees and the City's Personnel Policy Manual call for the accumulation of vacation leave and sick leave for eligible City employees.

As of December 31st of each year, no employee is permitted to have an accumulated amount of accrued vacation leave in excess of 240 hours, and is payable upon separation or retirement. At termination of employment, employees receive cash payments for all accumulated vacation leave based on wages at time of termination.

Sick leave may be accumulated up to 960 hours. Upon resignation, death or retirement, after completing at least 10 years of service, an employee shall be paid 25% of their accumulated sick leave.

i. Long-Term Debt – See Note 6 – Long-Term Debt

j. Other Financing Sources Or Uses

The City's "Other Financing Sources or Uses" consist of Transfers-In, Transfers-Out, proceeds of other long-term debt, and compensation for loss of capital assets and insurance recoveries.

k. Risk Management

The City of Toppenish 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 153 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, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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 Interlocal, 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.

m. Reserved Fund Balance

The reserved fund balances, at year-end, for the City include Municipal Capital Improvement Fund 116 in the amount of \$637,576.46, Sewer Fund 403 in the amount of \$192,482.66, and Perpetual Care Fund 701 in the amount of \$241,036.59.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 3 - INVESTMENTS

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

Investments are presented at cost.

Investments by type at December 31, 2012 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
State Investment Pool	\$7,185,378
U.S Bank Safekeeping – Fed Mortgage Assn	1,084,328
Smith Barney/Morgan Stanley	121,214
Total Investments	<u>\$8,390,920</u>

NOTE 4 - PROPERTY TAXES

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

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

The City's regular levy for 2012 was \$2.74712075 per \$1,000 on an assessed valuation of \$274,889,555 for a total regular levy of \$755,154.80.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays Interfund Loan activity during 2012:

Borrowing Fund	Lending Fund Due To	Balance 01/01/2012	2012 New Loans	2012 Repayments	Balance 12/31/2012
001	405	\$ 104,770	\$ 0	\$13,900	\$ 90,870
101	405	\$ 2,730	\$ 0	\$ 650	\$ 2,080
401	405	\$ 2,720	\$ 0	\$ 650	\$ 2,070
403	405	\$ 2,730	\$ 0	\$ 650	\$ 2,080
457	405	\$ 7,500	\$ 0	\$ 1,000	\$ 6,500
Totals		\$ 120,450	\$ 0	\$16,850	\$ 103,600

NOTE 6 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the City and summarizes the City's debt transactions for year ended December 31, 2012. The debt service requirements for General Obligation Bonds and Revenue Bonds including both principle and interest, are as follows:

Year	General Obligation Bonded Debt	Revenue Debt	Other Debt	Total Debt
2013	\$119,725	\$894,833		\$1,014,558
2014	\$119,725	\$893,375		\$1,013,100
2015	\$104,926	\$891,916		\$996,842
2016	\$90,127	\$890,459		\$980,585
2017	\$90,127	\$889,000		\$979,127
2018-2022		\$4,166,578		\$4,166,578
2023-2027		\$2,656,561		\$2,656,561
2028-2030		\$1,395,833		\$1,395,833
TOTAL	\$524,630	\$12,678,555	\$0	\$13,203,185

NOTE 7 - PENSION PLANS

a. Public Employees' Retirement System (PERS) Plans 1, 2, & 3, Public Safety Employees' Retirement System (PSERS), and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 & 2

Substantially all City full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS) Plans 1, 2 or 3, Public Safety Employees' Retirement System (PSERS), or Law Enforcement Officers' and Fire Fighters' Retirement System Plans 1 or 2 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Toppenish's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

b. Volunteer Firefighters Relief And Pension Fund

The Volunteer Fire Fighter's Relief and Pension Fund System is a cost-sharing, multiple-employer retirement system which was created by the Legislature in 1945 under RCW Chapter 41.24. It provides pension, disability, and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; and 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. However, members may elect to withdraw their contribution upon termination.

c. Firemen's Pension & Welfare

The Firemen's Pension & Welfare is a closed system operated by the City. Membership is limited to firefighters employed prior to March 1, 1970. The City's liability under the system is composed of all benefits for firefighters retired prior to March 1, 1970, and excess benefits over LEOFF for firefighters retired after March 1, 1970, who are members of the system.

The most recent actuarial study of the system was done by the firm of Loomis & Kennedy, Inc., to determine the funding requirements as of December 1968. As of that date, the book value of the plan assets was \$129,069. Current assets of this fund are \$0. Beginning in 2011, the Firemen's Pension & Welfare Fund has been supported by the General Fund.

NOTE 8 – POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note 7, the City of Toppenish provides post retirement health care benefits, in accordance with the Law Enforcement Officers and Firefighters (LEOFF) Retirement System to seven employees who are receiving medical benefits under the City's insurance program.

The City of Toppenish reimburses 100 percent of the balance after insurance of validated claims for medical and hospitalization costs incurred by retirees. During the year, expenditures of \$119,399 were recognized for post-retirement health care.

NOTE 9 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the International City Managers Association Retirement Corporation (ICMA RC). 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 unforeseeable emergency. The deferred compensation balance with ICMA RC is not reported on the financial statements of the City.

In 2012, the City began offering an additional deferred compensation plan also created in accordance with Internal Revenue Code Section 457. This plan is with Nationwide Retirement Solutions (Nationwide), and is available to all employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation balance with Nationwide is not reported on the financial statements of the City.

NOTE 10 – JOINT VENTURES

The City's of Toppenish, Wapato, Zillah and the Town of Granger, Washington, have adopted a Cable Television (CATV) franchise ordinance within their respective jurisdictions. The CATV ordinance provides for the payment of franchise fees to each city and town being a party to the Inter-local Agreement for Administration of Finances for Cable TV Franchises in an amount equal to 5% of the cable television company's gross revenues from all sources attributable to the operations of the cable television company within the confines of each respective jurisdiction. As an additional source of revenue, each City and Town pays an amount equal to the amount collected as public utility taxes. The fees are used to administer the franchise as well as to further the development of public and community uses of cable television within each of the respective jurisdictions. In order to provide for a cooperative and efficient administration of the franchise among the various jurisdictions, the parties have agreed that the City of Toppenish shall provide financial management services to the Cable Regulation Board and administer the budget. The cities pay the fees to the Cable Television Fund of the City of Toppenish out of which are paid costs, debts, and expenses incurred in the administration of the franchise and local access as approved by the Cable Regulation Board.

NOTE 11 – OTHER DISCLOSURES

a. Construction in Progress

Well No. 9 Construction: The City received loan approval from the Public Works Trust Fund Board for the development of a new well. The project was funded through a Drinking Water State Revolving Fund Loan through the Public Works Trust Fund. The City has secured the property which is a requirement for the well permit to be issued by the Yakama Indian Nation. Initial construction development began in 2011. The estimated completion date is sometime in the fall of 2013. This project includes Transmission Lines including under-road conduits, Well Construction, and Well House with fluoridation, chlorination and telemetry.

L Street Improvement Project: In August, 2012, the City was awarded funding from Department of Transportation Federal Highway Administration (FHWA). These funds are American Recovery and Reinvestment Act of 2009 (ARRA) funds, and will provide design to widen the existing roadway to include two 10½ foot of travel lanes.

Jackson Street Extension Project: In August, 2012, the City was awarded funding from Department of Transportation Federal Highway Administration (FHWA). These funds are American Recovery and Reinvestment Act of 2009 (ARRA) funds, and will provide design to reconstruct Jackson Street from Juniper Street west approximately 1,000 feet, then extend Jackson Street approximately 2,000 feet to Ward Road.

New 1.7 MG Standpipe Water Reservoir Project: In November, 2012, the City contracted with the Washington State Department of Commerce for Drinking Water State Revolving Fund Loan (DWSRF). These funds are originally provided through Environmental Protection Agency Office of Water through the American Recovery and Reinvestment Act of 2009 (ARRA). The loan is in the total amount of \$3,518,133.00, consists of a 24-year loan term with 1% interest.

2013 Water System Improvements Project: In August, 2012, the City contracted with the Washington State Department of Commerce for Drinking Water State Revolving Fund Loan (DWSRF). These funds are state provided funds. The loan is in the total amount of \$1,199,072.00, consists of a 24-year loan term with 1% interest.

b. Completed Construction Projects:

Franklin Avenue Resurfacing: In 2011 the City applied for funding of the Franklin Avenue Resurfacing project through Transportation Improvement Board. The city received notice of award in spring of 2012 with the project Declared Complete by Council on October 8, 2012, and retainage paid on January 14, 2013

c. Transportation Benefit District:

The City of Toppenish created a Transportation Benefit District on March 26, 2012. The MCAG number of 3044 was established by the Washington State Auditor's Office. Reporting for the Transportation Benefit District has been submitted as required with the State Auditor's Office.

d. Potential Litigation

1. A Claim for Damages was filed in September, 2009 concerning an incident in which the claimant was prosecuted for and convicted of Vehicular Assault, however, to date no formal lawsuit has been commenced. It is not possible at this time to meaningfully quantify the possibility of an unfavorable outcome or the range of possible loss.
2. A Claim for Damages was filed in November, 2010 alleging injuries as a result of an arrest, with no lawsuit having commenced to date. It is not possible at this time to meaningfully quantify the possibility of an unfavorable outcome or the range of possible loss.
3. The City was served and included in a lawsuit in November 2012. The lawsuit alleges federal civil rights violations by a City of Toppenish Police Officer and Corrections Officer regarding an arrest. The suit has been assigned to a Defense Attorney by the City's Insurance Pool, Washington Cities Insurance Authority (WCIA). The City has been notified that there may be some limited liability coverage, the city is following the progress of this suit closely.

City of Toppenish

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	263.81	CERB Loan	1/1/2017	83,333	0	16,667	66,666
	263.96	Local Loan - Police Vehicles	6/1/2015	71,459	0	28,084	43,375
	263.96	Local Loan - Meter Reading/Retrofit Meters	12/1/2017	216,734	0	39,369	177,365
	263.96	Local Loan - Meter Reading Equip/Retrofit Meters	12/1/2017	106,750	0	19,391	87,359
	259.11	General Service Funds	12/31/2013	322,041	31,829	0	353,870
		Total General Obligations:		800,317	31,829	103,511	728,635
Revenue Obligations							
	263.82	PWTF Loan #4	7/1/2021	576,613	0	64,068	512,545
	263.82	PWTF Loan #5	7/1/2022	705,216	0	70,521	634,695
	263.82	PWTF Loan #7	7/1/2025	533,604	0	41,046	492,558
	263.82	PWTF Loan #8	10/1/2024	85,196	0	7,099	78,097
	263.82	PWTF Loan #9	10/1/2028	871,260	649,892	67,147	1,454,005

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

City of Toppenish

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
	263.82	Ecology SRF Loan - WWTP Upgrade	10/30/2030	8,045,014	0	446,945	7,598,069
	263.82	Ecology Sewer Loan	9/15/2021	1,614,851	0	168,891	1,445,960
	263.82	PWFT - DWSRF Loan #10	10/1/2036	0	1,070,304	0	1,070,304
	263.82	PWTF - DWSRF Loan #11	10/1/2036	0	854,820	0	854,820
	259.12	Water Services	12/31/2013	38,676	17,830	0	56,506
	259.12	Sewer Services	12/31/2013	39,639	19,157	0	58,796
	259.12	Solid Waste Services	12/31/2013	20,286	10,688	0	30,974
	259.12	MVTV - Cable Services - Local Access Channel	12/31/2013	11,850	1,937	0	13,787
Total Revenue Obligations:				12,542,205	2,624,628	865,717	14,301,116
Total Liabilities:				13,342,522	2,656,457	969,228	15,029,751

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

City of Toppenish

Schedule of Liabilities

For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	263.81	General Obligation Non-Voted	1/1/2017	100,000	0	16,667	83,333
	263.96	General Obligation Non-Voted	12/1/2012	19,987	0	19,987	0
	263.96	General Obligation Non-Voted	6/1/2015	98,895	0	27,436	71,459
	263.96	General Obligation Non-Voted	12/1/2017	254,295	0	37,561	216,734
	263.96	General Obligation Non-Voted	12/1/2017	125,250	0	18,500	106,750
	259.11	General Obligation Compensated Absence	12/31/2012	315,932	6,109	0	322,041
Total General Obligations:				914,359	6,109	120,151	800,317
Revenue Obligations							
	259.12	Water Compensated Absence	12/31/2012	35,653	3,023	0	38,676
	259.12	Sewer Compensated Absence	12/31/2012	40,864	0	1,225	39,639

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

City of Toppenish

Schedule of Liabilities

For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
	259.12	Solid Waste Compensated Absence	12/31/2012	18,662	1,624	0	20,286
	259.12	MVTV Compensated Absence	12/31/2012	11,470	380	0	11,850
	263.82	Revenue Obligation	7/1/2021	640,682	0	64,069	576,613
	263.82	Revenue Obligation	7/1/2022	775,737	0	70,521	705,216
	263.82	Revenue Obligation	7/1/2025	574,649	0	41,045	533,604
	263.82	Revenue Obligation	10/1/2024	92,295	0	7,099	85,196
	263.82	Revenue Obligation	10/1/2028	862,039	63,674	54,453	871,260
	263.82	Revenue Obligation	10/30/1930	8,491,959	0	446,945	8,045,014
	263.82	Revenue Obligation	9/15/2021	1,781,237	0	166,386	1,614,851
Total Revenue Obligations:				13,325,247	68,701	851,743	12,542,205
Total Liabilities:				14,239,606	74,810	971,894	13,342,522

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures		Footnote Ref
				From Pass-Through Awards	From Direct Awards	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/Yakima County Juvenile Court	Title V_Delinquency Prevention Program	16.548	N/A	4,181		4,181 1,2
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	N/A		943	943 1,2
Office Of Community Oriented Policing Services, Department Of Justice/	ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0901		18,653	18,653 1,2,4
Criminal Division, Department Of Justice/	Equitable Sharing Program	16.922	N/A		35,285	35,285 1,6
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	STPUS 6411(001)	19,966		19,966 1,2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	STPUS 6423(001)	8,792		8,792 1,2
Total CFDA 20.205				28,758	0	28,758

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
National Highway Traffic Safety Administration (nhisa), Department Of Transportation/Washington Association of Sheriffs and Police Chiefs	State and Community Highway Safety	20.600	N/A	1,848		1,848	1,2
Office Of Water, Environmental Protection Agency/Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM07-952-031	675,348		675,348	1,2,3
Office Of Water, Environmental Protection Agency/Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM12-952-105	854,820		854,820	1,2,3
Office Of Water, Environmental Protection Agency/Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM12-952-104	1,143,649		1,143,649	1,2,
Total CFDA 66.468				2,673,817	0	2,673,817	
Department Of Homeland Security/Yakima Valley Office of Emergency Management	Homeland Security Grant Program	97.067	YVOEM 13-03	746		746	1,2
Total Federal Awards Expended:				2,709,350	54,881	2,764,231	

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2013**

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statements. The City of Toppenish uses the cash basis of accounting for all fund types.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only State and Federal portions of the program costs. Actual program costs, including the City's portion, may be more than shown.

NOTE 3 – FEDERAL LOANS

The City of Toppenish was approved by the Environmental Protection Agency, through Washington State Public Works Board to receive a loan totaling \$2,891,327.00 to provide for the construction of a new well including transmission lines, electrical, well house, and telemetry system. The amount listed includes expenditures expended during the year. This loan has no continuing compliance requirements. Both the current and prior year loan is reported on the City of Toppenish's Schedule of Long-Term Debt.

The City of Toppenish was approved by the Environmental Protection Agency, through Washington State Public Works Board to receive a Drinking Water State Revolving Fund (DWSRF) DM12-952-105 loan totaling \$3,518,133.00 to provide for the construction of a new 1.7 MG Standpipe Water Reservoir. The amount listed includes expenditures expended during the year. This loan has no continuing compliance requirements. The current year loan is reported on the City of Toppenish's Schedule of Long-Term Debt.

The City of Toppenish was approved by the Environmental Protection Agency, through Washington State Public Works Board to receive a Drinking Water State Revolving Fund (DWSRF) DM12-952-104 loan totaling \$1,199,072.00 to provide for the replacement of approximately 3,300 linear feet of existing water distribution piping with new 8" pipe, fittings and valves. The amount listed includes expenditures expended during the year. This loan has no continuing compliance requirements. The current year loan is reported on the City of Toppenish's Schedule of Long-Term Debt.

NOTE 4 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Expenditures for this program were funded by ARRA.

NOTE 5: FEDERAL EQUITABLE SHARING PROGRAM

The City of Toppenish participates in the Federal Equitable Sharing Program through the Department of Justice. The funds received are typically from prior year Investigations.

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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