



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Mabton

Yakima County

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017657





Washington State Auditor's Office

September 29, 2016

Mayor and City Council
City of Mabton
Mabton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Mabton'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
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Mabton
Yakima County
January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Mabton are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

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 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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2015-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**City of Mabton
Yakima County
January 1, 2015 through December 31, 2015**

2015-001 The City did not have adequate internal controls in place to ensure accurate financial reporting.

Background

It is the responsibility of City management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. *Government Auditing Standards*, prescribed by the Comptroller General of the United States, require the auditor to communicate significant deficiencies as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

We identified the following deficiencies in internal controls over accounting and financial reporting that, when taken together, represent a material weakness:

- The City did not have controls in place to ensure its financial transactions are accurately reported in accordance with Budgeting, Accounting and Reporting System Manual (BARS) requirements.
- Journal entries were made by several individuals without adequate oversight. There was no independent review of journal entries to ensure they were accurate and supported.
- The City did not have a process in place to ensure bank statements were reconciled to general ledger activity timely and that general ledger balances included all bank activity. While the January through April 2015 reconciliations were performed timely and balanced, they were performed by the Clerk who also receipted cash, prepared deposits, processed accounts payable transactions and recorded journal entries without any oversight. Reconciliations for May through December 2015 were not performed until May 2016.
- An independent review was not performed on the financial statements by someone knowledgeable of reporting requirements to ensure the statements were accurate and complete.

Each of these control deficiencies were reported in the prior audit finding and remain unresolved.

Cause of Condition

The City experienced significant turnover during 2015 and 2016 including the City Clerk/Treasurer position that was responsible for preparing the financial statements and the City Administrator who was supposed to be the independent review of the financial statements.

Due to this turnover, staff responsible for preparing and reviewing the 2015 financial reports lacked the experience and training necessary to ensure reports were free of significant errors and conformed to applicable BARS requirements.

Effect of Condition

During our audit we identified the following significant errors on the original financial statements, which were not detected by the City:

- Operating revenues were understated \$519,634 by not properly recording locally collected revenue into the general ledger.
- Beginning fund balance was under reported by \$75,989.
- Ending fund balance was under reported by \$680,165.
- The Schedule of Liabilities contained several errors including:
 - Debt from the 2014 schedule was omitted on the 2015 schedule resulting in beginning debt being understated by \$37,884.
 - Debt additions for 2015 were improperly reported on the schedule as beginning balances totaling \$5.1 million. These should have been reported in the “additions” column for a total of \$3.15 million.
 - Compensated absences with an ending balance of \$4,570 was not reported.
- The City did not implement Governmental Accounting Standards Board (GASB) Statement No. 68 regarding pension liability on the original financial statements, as required in 2015. Total pension liability of \$294,008 was not reported in the notes to the financials or the schedule of liabilities. This has been subsequently corrected.
- The City misreported five programs on the Schedule of Expenditures of Federal Awards (SEFA) ranging from \$222,918 understated to \$700,000

overstated. These errors would have resulted in auditing the wrong federal programs.

- The City submitted the annual financial reports to the State Auditor's Office 207 days after fiscal year end. State law requires the reports to be submitted no later than 150 days after fiscal year end.

Our audit identified additional errors in the financial statements that were not individually significant but when taken together impair the understandability of the financial report and required additional resources to correct.

Recommendation

We again recommend the City establish and follow effective internal controls to ensure:

- The City's financial reporting preparation processes are complete, accurate, and in accordance with the BARS manual.
- Individuals responsible for preparing the financial statements have sufficient training and knowledge of BARS manual reporting and dedicate the necessary time to ensure accurate and timely reporting.
- An individual knowledgeable of the BARS manual and independent of the financial statement preparation processes performs a thorough review of the financial statements and supporting schedules to ensure they are accurate, complete, and presented in accordance with requirements.
- All journal entries are prepared, reviewed and approved by someone independent.
- The individual(s) responsible for performing and reviewing the monthly bank statement reconciliations are independent of other key accounting functions such as cash receipting/depositing, accounts payable and posting journal entries.

City's Response

The City will continue to send staff, as part of our Professional Development Program, to BARS training, Vision Financial and Utility software training and AWC fiscal control and budget management training to stay in compliance with any updated responsibilities and reporting requirements.

The City has started to segregate the duties between the City Treasurer and the Deputy Clerk-Treasurers. For example, the City Treasurer does not take any payments for utility accounts or any other daily revenues received. This allows the City Treasurer to perform an independent review of the daily reconciliation of

receipts before deposits can be made and that all variances are investigated, corrected and documented.

The City will continue to refine roles and functions of administrative staff to ensure accurate and internally audited financial reporting occurs.

The City will develop a Cash Basis BARS reporting charts of accounts using the proper Prime and Basub, Element/Subelement and Object/Subobject Digits that are specific to the City's needs for recording Revenues and Expenditures. This will create consistency in our BARS codes across all funds.

The City will continue to improve internal controls and oversight of accounting and financial reporting by developing specific policies and procedures to ensure the deficiencies are corrected.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

RCW 43.09.200 – Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting, Accounting and Reporting System (BARS) manual – Accounting, Accounting Principles and General Procedures, Internal Control, states in part:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1)

significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines material weaknesses and significant deficiencies in its Codification of Statements on Auditing Standards, Section 265 as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. 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.

.09 If the auditor has identified one or more deficiencies in internal control, the auditor should evaluate each deficiency to determine, on the basis of the audit work performed, whether, individually or in combination, they constitute significant deficiencies or material weaknesses.

.10 If the auditor determines that a deficiency, or a combination of deficiencies, in internal control is not a material weakness, the auditor should consider whether prudent officials, having

knowledge of the same facts and circumstances, would likely reach the same conclusion.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Mabton Yakima County January 1, 2015 through December 31, 2015

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the City of Mabton. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2014 to December 31, 2014	Report Ref. No.: 1015229	Finding Ref. No.: 2014-001
Finding Caption: The City did not have adequate internal controls in place to ensure accurate financial reporting.		
Background: We identified the following deficiencies in internal controls over accounting and financial reporting that, when taken together, represent a significant deficiency: <ul style="list-style-type: none"> The City did not have controls in place to ensure its financial transactions are accurately reported in accordance with <i>Budgeting, Accounting and Reporting System Manual</i> (BARS) requirements. Journal entries can be made by several individuals without adequate oversight. There was no independent review of journal entries made to ensure they were accurate and supported. The City did not have a process in place to ensure bank statements were reconciled to general ledger activity and that general ledger balances included all bank activity. While reconciliations were performed by the City, these reconciliations did not include all bank accounts and variances were not investigated. An independent review was not performed on the financial statements by someone knowledgeable of reporting requirements to ensure the statements were accurate and complete. 		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Fully Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Partially Corrected</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Not Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Finding is considered no longer valid</div> </div>		
Corrective Action Taken: The City of Mabton started the process to correct these deficiencies in 2015 by restructuring its administrative department to provide professional level finance personnel. Staff instituted several control measures regarding our financial practices, policies & procedures. However with continued staff turnover in 2015 and 2016 the City's efforts fell short of correcting the deficiencies. The City has continued to send staff to BARS training, Vision Financial and Utility software		

training and AWC fiscal control and budget management training to stay abreast of updated responsibilities and reporting measures.

The City has segregated the duties between the City Treasurer and the Deputy Clerk-Treasures. For example, the City Treasurer does not take any payments for utility accounts or any other daily revenues received. This allows the City Treasurer to perform an independent review of the daily reconciliation of receipts before deposits can be made and that all variances are investigated, corrected and documented.

The City will continue to improve internal controls and oversight of accounting and financial reporting by developing specific policies and procedures to ensure that the deficiencies are corrected.

**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 Mabton
Yakima County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Mabton
Mabton, 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 Mabton, Yakima County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 26, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

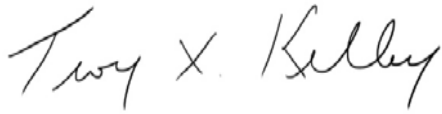
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 26, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Mabton
Yakima County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Mabton
Mabton, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Mabton, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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.

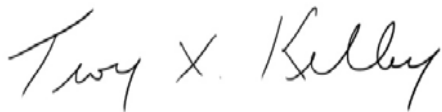
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the Uniform Guidance. 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 26, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Mabton Yakima County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Mabton
Mabton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Mabton, Yakima County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 23.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Mabton, for the year ended December 31, 2015, 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 Mabton, as of December 31, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

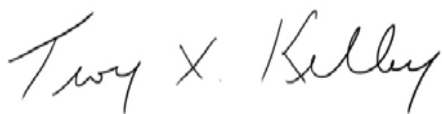
Other Matters

Supplementary and Other Information

Our audit was 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Schedule of Liabilities is 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 September 26, 2016 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
OLYMPIA, WA

September 26, 2016

FINANCIAL SECTION

**City of Mabton
Yakima County
January 1, 2015 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

City of Mabton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Current Expense	102 Cemetery	103 City Streets
Beginning Cash and Investments					
30810	Reserved	65,757	-	-	-
30880	Unreserved	1,527,382	583,451	5,155	108,338
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	647,874	601,365	13,490	6,790
320	Licenses and Permits	18,265	18,265	-	-
330	Intergovernmental Revenues	1,424,750	138,773	-	46,865
340	Charges for Goods and Services	1,171,339	642	45,272	-
350	Fines and Penalties	56,126	51,390	-	-
360	Miscellaneous Revenues	41,098	26,828	40	13,387
Total Operating Revenues:		3,359,452	837,262	58,802	67,043
Operating Expenditures					
510	General Government	367,148	367,148	-	-
520	Public Safety	463,017	462,209	-	-
530	Utilities	989,135	-	58,652	-
540	Transportation	139,491	6,210	1,552	111,548
550	Natural and Economic Environment	23,021	23,021	-	-
560	Social Services	532	532	-	-
570	Culture and Recreation	78,119	78,119	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		2,060,463	937,238	60,204	111,548
Net Operating Increase (Decrease):		1,298,989	(99,977)	(1,402)	(44,505)
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	57,186	56,736	-	-
391-393	Debt Proceeds	2,493,489	-	-	-
397	Transfers-In	7,569	-	-	-
Total Nonoperating Revenues:		2,558,244	56,736	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	53,263	53,263	-	-
591-593	Debt Service	23,726	-	-	-
594-595	Capital Expenditures	3,842,133	32,940	-	106,251
597	Transfers-Out	7,569	-	-	-
Total Nonoperating Expenditures:		3,926,691	86,203	-	106,251
Net Increase (Decrease) in Cash and Investments:		(69,458)	(129,444)	(1,402)	(150,756)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,523,142	453,267	3,753	(43,018)
Total Ending Cash and Investments		1,523,142	453,267	3,753	(43,018)

The accompanying notes are an integral part of this statement.

City of Mabton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		108 1991 Cdbg Grant	113 Capital Improvements Fund	115 Ems Fund	401 Water
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	68,609	35,297	169,862	500,803
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	4,526	21,703	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,341	107,389
340	Charges for Goods and Services	-	-	-	489,888
350	Fines and Penalties	-	-	-	3,648
360	Miscellaneous Revenues	30	70	30	389
Total Operating Revenues:		30	4,596	23,074	601,313
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	808	-
530	Utilities	-	-	-	347,474
540	Transportation	-	-	1,552	7,762
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		-	-	2,360	355,236
Net Operating Increase (Decrease):		30	4,596	20,714	246,077
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	450	-	-	-
391-393	Debt Proceeds	-	-	-	444,621
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		450	-	-	444,621
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	57,198	24,412	28,422	649,884
597	Transfers-Out	-	-	-	7,569
Total Nonoperating Expenditures:		57,198	24,412	28,422	657,453
Net Increase (Decrease) in Cash and Investments:		(56,718)	(19,816)	(7,708)	33,245
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	11,891	15,481	162,957	534,048
Total Ending Cash and Investments		11,891	15,481	162,957	534,048

The accompanying notes are an integral part of this statement.

City of Mabton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		402 Sewer	404 Garbage	412 1989 Bond Redemption	414 1998 W/S Bond Reserve
Beginning Cash and Investments					
30810	Reserved	-	-	-	65,757
30880	Unreserved	(5,200)	5,836	53,546	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,130,382	-	-	-
340	Charges for Goods and Services	422,452	213,085	-	-
350	Fines and Penalties	1,088	-	-	-
360	Miscellaneous Revenues	135	60	60	70
Total Operating Revenues:		1,554,056	213,145	60	70
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	388,112	194,898	-	-
540	Transportation	7,762	3,105	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		395,874	198,003	-	-
Net Operating Increase (Decrease):		1,158,182	15,142	60	70
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	2,048,868	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		2,048,868	-	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	16,157	-	-	-
594-595	Capital Expenditures	2,943,025	-	-	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		2,959,182	-	-	-
Net Increase (Decrease) in Cash and Investments:		247,868	15,142	60	70
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	242,668	20,978	53,606	65,827
Total Ending Cash and Investments		242,668	20,978	53,606	65,827

The accompanying notes are an integral part of this statement.

City of Mabton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		<u>418 1989 Bond Redemption</u>
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	1,685
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
	Total Operating Revenues:	<u>-</u>
Operating Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
598	Miscellaneous Expenses	-
	Total Operating Expenditures:	<u>-</u>
	Net Operating Increase (Decrease):	<u>-</u>
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	7,569
	Total Nonoperating Revenues:	<u>7,569</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	7,569
594-595	Capital Expenditures	-
597	Transfers-Out	-
	Total Nonoperating Expenditures:	<u>7,569</u>
	Net Increase (Decrease) in Cash and Investments:	<u>(0)</u>
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	1,685
	Total Ending Cash and Investments	<u>1,685</u>

The accompanying notes are an integral part of this statement.

City of Mabton
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	601 Cemetery Perpetual Care
308	Beginning Cash and Investments	75,777	75,777
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	3,300	3,300
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	1,552	1,552
580-590	Other Decreases and Financing Uses	-	-
	Net Increase (Decrease) in Cash and Investments:	1,748	1,748
508	Ending Cash and Investments	77,524	77,524

The accompanying notes are an integral part of this statement.

REPORTING

Note 1 - Summary of Significant Accounting Policies

The City of Mabton was incorporated on November 8, 1905 and operates under the laws of the state of Washington applicable to a non-charter code city. The City of Mabton is a general purpose local government and provides water, sanitary sewer, police, fire protection, street improvements, parks, cemetery and general administrative services.

The City of Mabton reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. 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 government.

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.

Capital Projects Funds

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

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 government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the City of Mabton also recognizes expenditures paid during 20 days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	\$1,058,000.00	\$1,023,440	\$34,118.63
Cemetery Fund	\$65,000.00	\$60,204.19	\$4,795.81
Street Fund	\$315,854.00	\$217,849.00	\$97,754.40
1991 CDBG Grant	\$70,000.00	\$57,198.24	\$12,801.76
Capital Improvement Fund	\$27,500.00	\$24,412.45	\$3,087.55
EMS Fund	\$63,000.00	\$30,380.16	\$32,619.84
Water Fund	\$2,258,590.00	\$1,012,688.82	\$1,245,901.18
Sewer Fund	\$3,200,000.00	\$3,355,056.21	(\$155,056.21)
Garbage Fund	\$213,000.00	\$198,003.04	\$14,996.96
Bond Redemption	\$8,046.00	\$7,569.36	\$476.64
Cemetery Perpetual Care	\$115.00	\$1,552.38	(\$1,437.38)

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Mabton legislative body.

D. Cash and Investments

It is the City of Mabton 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 prorated to the various funds.

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

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 10 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do receive payment for unused sick leave at 33% per their 2012-2015 union contract. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of debt proceeds and debt service.

I. Risk Management

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RWC (Interlocal 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 176 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.

Note 2 - Property Tax

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

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

The City of Mabton's regular levy for the year 2015 was \$3.375 per \$1,000 on an assessed valuation of \$45,171,368.00 for a total regular levy of \$152,453.

Note 3– Deposits and Investments

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

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

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>Mabton's</u> own investments	Investments held by Mabton as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ <u>895,076</u>	\$ <u>0</u>	\$ <u>895,076</u>
Total	\$ <u>895,076</u>	\$ _____	\$ <u>895,076</u>

Note 4– Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Mabton and summarizes the City of Mabton debt transactions for year ended December 31, 2015.

The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
------------------	-----------------	--------------

2015	\$23,539	\$303	\$23,842
2016	\$60,978	\$66,238	\$127,216
2017	\$132,185	\$65,376	\$197,561
2018	\$151,229	\$77,968	\$229,197
2019	\$153,510	\$65,392	\$218,902
2020 – 2024	\$808,413	\$285,136	\$1,093,549
2025 – 2029	\$859,097	\$221,135	\$1,080,232
2030 – 2034	\$940,916	\$145,862	\$1,086,778
2035 – 2039	\$404,627	\$60,121	\$464,748
2040 – 2044	\$188,409	\$42,617	\$231,026
2045 – 2049	\$133,804	\$28,076	\$161,880
2050 – 2054	\$149,724	\$12,188	\$161,912
2055	\$32,016	\$356	\$32,372
<hr/>			
TOTALS	<u>\$4,038,444</u>	<u>\$1,070,764</u>	<u>\$5,109,208</u>

Note 5– Pension Plans

A. State Sponsored Pension Plans

Substantially all of the City of Mabton’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees Retirement System (PERS), Law Enforcement Officers and Fire Fighters Retirement System (LEOFF).

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

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

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

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

The City of Mabton also participates in the Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2015 (the measurement date of the plans), the City of Mabton proportionate share of the

collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	%0.002986	\$156,196
PERS 2/3	%0.003857	\$137,813
LEOFF 2	%0.004430	\$(45,532)

Note 6 - Other Disclosures

- Transportation Benefit District-Transfer to city assuming the Rights, Powers.....Ord. #1067-2015 December 8, 2015
New section of MMC 3.30.015
- 103 city streets had a negative ending balance due to the timing of reimbursements for capital projects from our funding partners.
- 1.8 million dollar loan from the Department of Ecology DWSRF included \$500,000 of forgivable principle.

Note 7 - Other Disclosures

The Beginning Cash and Investment balance for 2015 (C4 and C5) doesn't include an expense of \$130,245 in the sewer fund, which was an error from the open period for fiscal year 2014. The City corrected this error with a prior period adjustment in the General Ledger by posting the \$130,245 expense into the sewer fund for 2014. This posting changed the Ending Cash and Investment for the 2014 in the general ledger, but is not reflected in the Prior Audited Financial Statement from 2014 (C4 and C5) and thus reduced the Beginning Cash and Investment for 2015 by \$130,245.

City of Mabton
Schedule of Liabilities
For the Year Ended December 31, 2015

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.83	Water/Sewer Revenue Bond	5/14/2016	8,655	-	8,655	-
Total General Obligation Debt/Liabilities:			8,655	-	8,655	-
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	PWTF Loan PC13-961-027	6/1/2042	-	452,604	16,273	436,331
263.82	Ecology SRF Loan L1300024	11/1/2032	739	2,114,433	-	2,115,172
263.82	DWSRF DM13-952-181	10/1/1937	-	480,148	-	480,148
263.82	DWSRF DM15-952-044	10/1/2037	-	71,396	-	71,396
263.82	USDA RD Loan 1989 Bond	8/1/2016	7,569	-	7,569	-
263.52	Kyocera Copier	12/31/2015	5,576	-	4,002	1,574
259.12	Compensated Absences	12/31/2015	21,095	-	16,525	4,570
264.30	GASB 68 Pensions	12/31/2015	-	294,008	-	294,008
Total Revenue and Other (non G.O.) Debt/Liabilities:			34,979	3,412,589	44,370	3,403,199
Total Liabilities:			43,634	3,412,589	53,025	3,403,199

City of Mabton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Agricultural Marketing Service, Department Of Agriculture (via Department of Transportation))	Highway planning and construction	20.205	WSDOT STP- K390	35,366	-	35,366	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via (Department of Commerce))	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	12-65400-0029	70,000	-	70,000	-	5
Clean Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via (Department of Ecology))	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1300024	1,992,014	-	1,992,014	-	
Total Clean Water State Revolving Fund Cluster:				\$ 2,097,380.00	-	\$ 2,097,380.00	-	
Drinking Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via (Department of Commerce))	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-181	485,044	-	485,044	-	
Office Of Water, Environmental Protection Agency (via (Department of Commerce))	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM15-952-044	71,396	-	71,396	-	
Total Drinking Water State Revolving Fund Cluster:				\$ 556,440.00	-	\$ 556,440.00	-	
Total Federal Awards Expended:				2,653,820	-	2,653,820	-	

The accompanying notes are an integral part of this schedule.

CITY OF MABTON, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ending December 31, 2015

NOTE 1-BASIS OF ACCOUNTING

The schedule is prepared on the same basis of accounting as the City of Mabton's financial statements. The city of Mabton uses the cash basis of accounting which differs from generally accepted accounting practices (GAAP).

NOTE 2-PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Mabton's portion, are more than shown.

NOTE 3-FEDERAL LOANS

- The City of Mabton was approved to receive a loan totaling \$2,123,000.00 to improve its sewer system. Loan No. L1300024
- The City of Mabton was approved to receive a loan totaling \$657,000.00 to improve the waste water treatment facility. Loan No. PC13-961027
- The City of Mabton was approved to receive a loan totaling \$40,580.00 to improve our streets. Loan No. STP-K390(002)
- The City of Mabton was approved to receive a loan totaling \$1,300,000.00 to improve our water system. Loan No. DM13-952-181
- The City of Mabton was approved to receive a loan totaling \$1,518,000.00 to improve our water system. Loan No. DM15-952-044

The amount listed for each loan includes the proceeds received during the year. Both the current and prior year loans are also reported on the City of Mabton's schedule of Long-Term Liabilities.

NOTE 4-INDIRECT COST

The city of Mabton has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5-

The expenses in this program contain \$12,752 of expenses incurred in 2014 but not recorded on the 2014 SEFA.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Mabton

Yakima County

January 1, 2015 through December 31, 2015

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The information in this schedule is the representation of the City of Mabton.

Finding ref number: 2015-001	Finding caption: The City did not have adequate internal controls in place to ensure accurate financial reporting.
Name, address, and telephone of auditee contact person: Mario Martinez, Mayor P.O. Box 655 Mabton, WA 98935 509-894-4096	
Corrective action the auditee plans to take in response to the finding: The City will continue to send staff, as part of our Professional Development Program, to BARS training, Vision Financial and Utility software training and AWC fiscal control and budget management training to stay in compliance with any updated responsibilities and reporting requirements. The City has started to segregate the duties between the City Treasurer and the Deputy Clerk-Treasurers. For example, the City Treasurer does not take any payments for utility accounts or any other daily revenues received. This allows the City Treasurer to perform an independent review of the daily reconciliation of receipts before deposits can be made and that all variances are investigated, corrected and documented. The City will continue to refine roles and functions of administrative staff to ensure accurate and internally audited financial reporting occurs. The City will develop a Cash Basis BARS reporting charts of accounts using the proper Prime and Basub, Element/Subelement and Object/Subobject Digits that are specific to the City's	

needs for recording Revenues and Expenditures. This will create consistency in our BARS codes across all funds.

The City will continue to improve internal controls and oversight of accounting and financial reporting by developing specific policies and procedures to ensure that the deficiencies are corrected.

Anticipated date to complete the corrective action: December 31, 2016

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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