



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

City of Toppenish

For the period January 1, 2018 through December 31, 2019

Published September 17, 2020

Report No. 1026942





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

September 17, 2020

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,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Toppenish January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Toppenish 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 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 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 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>
66.468	Drinking Water State Revolving Fund Cluster – Capitalization Grants for Drinking 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

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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
January 1, 2018 through December 31, 2019**

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, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 8, 2020.

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

As discussed in Note 11 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are

appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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.

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

Pat McCarthy

State Auditor

Olympia, WA

September 8, 2020

**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 Toppenish
January 1, 2019 through December 31, 2019**

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, 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, 2019. 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, 2019.

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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 8, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Toppenish January 1, 2018 through December 31, 2019

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, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Toppenish, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, or the changes in financial position or cash flows thereof 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.

Matters of Emphasis

As discussed in Note 11 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The 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 Schedule of Liabilities is 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 8, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy
State Auditor
Olympia, WA

September 8, 2020

FINANCIAL SECTION

City of Toppenish January 1, 2018 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2019
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019
Schedule of Liabilities – 2018
Schedule of Expenditures of Federal Awards – 2019
Notes to the Schedule of Expenditures of Federal Awards – 2019

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund
Beginning Cash and Investments				
30810	Reserved	2,436,822	1,019	105,701
30880	Unreserved	9,851,535	3,508,407	46,234
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	5,133,591	4,859,283	-
320	Licenses and Permits	125,043	49,133	1,600
330	Intergovernmental Revenues	1,556,973	304,562	391,319
340	Charges for Goods and Services	7,318,480	596,232	53,546
350	Fines and Penalties	87,183	85,553	-
360	Miscellaneous Revenues	525,389	100,945	16,305
Total Revenues:		14,746,659	5,995,708	462,770
Expenditures				
510	General Government	1,339,492	1,339,492	-
520	Public Safety	3,121,163	3,115,868	-
530	Utilities	4,683,155	-	-
540	Transportation	533,306	-	333,306
550	Natural and Economic Environment	337,884	125,811	-
560	Social Services	1,245	1,245	-
570	Culture and Recreation	544,831	544,831	-
Total Expenditures:		10,561,076	5,127,247	333,306
Excess (Deficiency) Revenues over Expenditures:		4,185,583	868,461	129,464
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	1,477,771	-	-
397	Transfers-In	1,020,000	750,000	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	273,187	189,973	-
381, 382, 395, 398	Other Resources	422,457	263,221	23,698
Total Other Increases in Fund Resources:		3,193,415	1,203,194	23,698
Other Decreases in Fund Resources				
594-595	Capital Expenditures	3,521,366	240,827	204,464
591-593, 599	Debt Service	1,451,048	25,467	-
597	Transfers-Out	1,040,284	110,284	10,000
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	146,153	146,041	-
581, 582	Other Uses	191,977	301	-
Total Other Decreases in Fund Resources:		6,350,828	522,920	214,464
Increase (Decrease) in Cash and Investments:		1,028,170	1,548,735	(61,302)
Ending Cash and Investments				
5081000	Reserved	2,566,326	1,152	32,659
5088000	Unreserved	10,750,196	5,057,006	57,976
Total Ending Cash and Investments		13,316,522	5,058,158	90,635

The accompanying notes are an integral part of this statement.

103 Vehicle License Fee Fund	106 Tourism Development Fund	108 Cemetery Fund	119 Public Safety Grants Fund	129 Special Investigative Drug Account Fund	170 Housing Rehabilitation Fund
125,691	9,195	-	279,935	11,834	453,517
50	5,122	137,360	64	50,187	13,514
-	-	-	-	-	-
152,434	26,665	-	-	-	-
-	24,310	-	-	-	-
-	-	-	-	-	-
-	-	76,602	-	-	-
-	-	-	-	1,630	-
227	153	6,370	225,000	858	6,706
<u>152,661</u>	<u>51,128</u>	<u>82,972</u>	<u>225,000</u>	<u>2,488</u>	<u>6,706</u>
-	-	-	-	-	-
-	-	-	-	5,295	-
-	-	146,589	-	-	-
200,000	-	-	-	-	-
-	57,283	-	-	-	32,336
-	-	-	-	-	-
-	-	-	-	-	-
<u>200,000</u>	<u>57,283</u>	<u>146,589</u>	<u>-</u>	<u>5,295</u>	<u>32,336</u>
<u>(47,339)</u>	<u>(6,155)</u>	<u>(63,617)</u>	<u>225,000</u>	<u>(2,807)</u>	<u>(25,630)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	74,321
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,321</u>
-	-	-	55,000	31,157	32,974
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	112	-
-	-	-	-	-	1,078
<u>-</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>31,269</u>	<u>34,052</u>
(47,339)	(6,155)	(63,617)	170,000	(34,076)	14,639
78,401	5,984	-	449,999	27,945	466,943
-	2,177	73,740	-	-	14,725
<u>78,401</u>	<u>8,161</u>	<u>73,740</u>	<u>449,999</u>	<u>27,945</u>	<u>481,668</u>

The accompanying notes are an integral part of this statement.

Economic Development Loan Fun	Capital Improvement Fund	302 Street Capital Fund	401 Water Fund	403 Wastewater Fund	405 Solid Waste Fund
-	580,158	151,085	500	436,306	-
5,537	107,941	760	1,679,140	2,480,966	386,700
-	-	-	-	-	-
-	23,466	-	-	-	-
-	-	-	-	-	-
-	-	734,310	-	126,782	-
-	-	150,000	2,221,285	3,020,003	1,092,436
-	-	-	-	-	-
-	8,855	34,549	64,745	31,989	1,777
-	32,321	918,859	2,286,030	3,178,774	1,094,213
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,613,492	1,918,012	1,005,062
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,613,492	1,918,012	1,005,062
-	32,321	918,859	672,538	1,260,762	89,151
-	-	-	1,348,502	129,269	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	30,860	62,647	7,037	5,050
-	-	30,860	1,411,149	136,306	5,050
-	-	836,052	1,293,064	753,583	18,922
-	-	-	601,498	824,083	-
-	-	-	290,000	300,000	330,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	122,849	27,490	40,259	-
-	-	958,901	2,212,052	1,917,925	348,922
-	32,321	(9,182)	(128,365)	(520,857)	(254,721)
-	603,624	142,663	75,586	390,596	-
5,537	116,795	-	1,475,692	2,005,819	131,978
5,537	720,419	142,663	1,551,278	2,396,415	131,978

The accompanying notes are an integral part of this statement.

457 Cable TV Fund	510 Vehicle Replacement Fund	701 Perpetual Care Fund
-	-	281,881
364,419	1,056,966	8,168
-	-	-
71,743	-	-
50,000	-	-
-	-	-
108,376	-	-
-	-	-
5,279	18,570	3,061
<u>235,398</u>	<u>18,570</u>	<u>3,061</u>
-	-	-
-	-	-
-	-	-
-	-	-
122,454	-	-
-	-	-
-	-	-
<u>122,454</u>	<u>-</u>	<u>-</u>
<u>112,944</u>	<u>18,570</u>	<u>3,061</u>
-	-	-
-	270,000	-
-	-	-
-	-	8,893
-	29,944	-
<u>-</u>	<u>299,944</u>	<u>8,893</u>
-	55,323	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>55,323</u>	<u>-</u>
112,944	263,191	11,954
-	-	290,774
477,365	1,320,157	11,229
<u>477,365</u>	<u>1,320,157</u>	<u>302,003</u>

The accompanying notes are an integral part of this statement.

City of Toppenish
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund
Beginning Cash and Investments				
30810	Reserved	1,942,785	905	78,895
30880	Unreserved	8,735,019	2,224,683	29,462
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	5,209,657	4,947,117	-
320	Licenses and Permits	102,169	76,015	2,404
330	Intergovernmental Revenues	1,903,187	294,660	211,684
340	Charges for Goods and Services	7,161,430	605,828	52,925
350	Fines and Penalties	106,148	103,863	-
360	Miscellaneous Revenues	592,372	69,425	3,677
Total Revenues:		15,074,964	6,096,908	270,690
Expenditures				
510	General Government	1,378,720	1,378,720	-
520	Public Safety	2,930,232	2,919,881	-
530	Utilities	4,798,519	-	-
540	Transportation	460,288	-	260,264
550	Natural and Economic Environment	324,291	113,838	-
560	Social Services	2,938	2,938	-
570	Culture and Recreation	491,570	491,570	-
Total Expenditures:		10,386,557	4,906,947	260,264
Excess (Deficiency) Revenues over Expenditures:		4,688,405	1,189,961	10,426
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	447,490	-	-
397	Transfers-In	274,240	34,240	25,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	447,084	198,023	-
381, 382, 395, 398	Other Resources	443,241	292,381	27,656
Total Other Increases in Fund Resources:		1,612,054	524,644	52,656
Other Decreases in Fund Resources				
594-595	Capital Expenditures	2,923,531	120,871	14,505
591-593, 599	Debt Service	1,296,932	39,892	-
597	Transfers-Out	295,578	96,338	5,000
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	173,869	173,668	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		4,689,909	430,769	19,505
Increase (Decrease) in Cash and Investments:		1,610,549	1,283,836	43,577
Ending Cash and Investments				
5081000	Reserved	2,436,822	1,019	105,701
5088000	Unreserved	9,851,534	3,508,407	46,234
Total Ending Cash and Investments		12,288,356	3,509,426	151,935

The accompanying notes are an integral part of this statement.

103 Vehicle License Fee Fund	106 Tourism Development Fund	108 Cemetery Fund	119 Public Safety Grants Fund	129 Special Investigative Drug Account Fund	170 Housing Rehabilitation Fund
176,734	14,903	-	38,379	14,840	432,101
117	10,875	136,903	11	53,175	11,353
-	-	-	-	-	-
148,718	23,879	-	-	-	-
-	23,750	-	-	-	-
-	-	-	-	-	-
-	-	71,938	-	-	-
-	-	-	-	2,285	-
196	317	6,876	280,062	2,160	8,676
148,914	47,946	78,814	280,062	4,445	8,676
-	-	-	-	-	-
-	-	-	-	10,351	-
-	-	77,850	-	-	-
200,024	-	-	-	-	-
-	59,406	-	-	-	27,725
-	-	-	-	-	-
-	-	-	-	-	-
200,024	59,406	77,850	-	10,351	27,725
(51,110)	(11,460)	964	280,062	(5,906)	(19,049)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	112	85,977
-	-	13	-	-	-
-	-	13	-	112	85,977
-	-	520	4,212	-	43,351
-	-	-	-	-	-
-	-	-	34,240	-	-
-	-	-	-	-	-
-	-	-	-	201	-
-	-	-	-	-	-
-	-	520	38,452	201	43,351
(51,110)	(11,460)	457	241,610	(5,995)	23,577
125,691	9,195	-	279,935	11,834	453,517
50	5,122	137,360	64	50,187	13,514
125,741	14,317	137,360	279,999	62,021	467,030

The accompanying notes are an integral part of this statement.

Economic Development Loan Fun	Capital Improvement Fund	302 Street Capital Fund	401 Water Fund	403 Wastewater Fund	405 Solid Waste Fund
5,477	562,960	153,324	-	192,483	-
-	99,644	1,016	2,198,646	2,421,351	389,931
-	-	-	-	-	-
-	17,198	-	-	-	-
-	-	-	-	-	-
-	-	1,219,412	-	177,432	-
-	-	150,000	2,177,750	2,924,579	1,066,409
-	-	-	-	-	-
60	8,297	4	77,352	35,720	5,504
60	25,495	1,369,415	2,255,102	3,137,731	1,071,913
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,775,334	1,944,194	1,001,141
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,775,334	1,944,194	1,001,141
60	25,495	1,369,416	479,768	1,193,537	70,772
-	-	-	175,080	272,409	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	91,948	20,669	40,259	-
-	-	-	65,569	9,037	15,434
-	-	91,948	261,319	321,705	15,434
-	-	1,463,859	788,013	336,843	19,436
-	-	-	432,079	824,961	-
-	-	-	40,000	50,000	70,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,463,859	1,260,092	1,211,804	89,436
60	25,495	(2,495)	(519,005)	303,438	(3,230)
-	580,158	151,085	500	436,306	-
5,537	107,941	760	1,679,140	2,480,966	386,700
5,537	688,099	151,845	1,679,640	2,917,272	386,700

The accompanying notes are an integral part of this statement.

457 Cable TV Fund	510 Vehicle Replacement Fund	701 Perpetual Care Fund
-	-	271,785
302,862	850,354	4,637
-	-	-
72,745	-	-
-	-	-
-	-	-
112,001	-	-
-	-	-
4,318	86,197	3,531
<u>189,064</u>	<u>86,197</u>	<u>3,531</u>
-	-	-
-	-	-
-	-	-
-	-	-
123,321	-	-
-	-	-
-	-	-
<u>123,321</u>	<u>-</u>	<u>-</u>
<u>65,743</u>	<u>86,197</u>	<u>3,531</u>
-	-	-
-	215,000	-
-	-	-
-	-	10,096
-	33,150	-
<u>-</u>	<u>248,150</u>	<u>10,096</u>
4,186	127,736	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>4,186</u>	<u>127,736</u>	<u>-</u>
61,557	206,611	13,627
-	-	281,881
364,419	1,056,966	8,168
<u>364,419</u>	<u>1,056,966</u>	<u>290,049</u>

The accompanying notes are an integral part of this statement.

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

		Pension/OPEB Trust Fund
308	Beginning Cash and Investments	3
388 & 588	Net Adjustments	-
310-390	Additions	26,715
510-590	Deductions	26,718
		<hr/>
	Net Increase (Decrease) in Cash and Investments:	(3)
508	Ending Cash and Investments	-

The accompanying notes are an integral part of this statement.

City of Toppenish
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Pension/OPEB Trust Fund	
308	Beginning Cash and Investments	-	
388 & 588	Net Adjustments	-	
310-390	Additions	27,722	
510-590	Deductions	27,719	
	Net Increase (Decrease) in Cash and Investments:	3	
508	Ending Cash and Investments	3	

The accompanying notes are an integral part of this statement.

CITY OF TOPPENISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 – Summary of Significant Accounting Policies

The City of Toppenish was incorporated on April 29, 1907 and operates under the laws of the state of Washington applicable to a non-charter code city. The City is a general-purpose local government and provides police, fire, parks, and recreation, planning and zoning, street maintenance and improvements, cemetery, housing rehabilitation, community development, building, code enforcement, water sewer, and solid waste.

The City 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. (see note to 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General 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 a custodian on behalf of others.

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

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

C. Cash and Investments

See Note 5 – Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for the Fraternal Order of Police and Teamsters members, and some exempt staff, 360 hours for the International Association of Firefighters (IAFF), and 260 hours for Department Directors and is payable upon separation or retirement. Sick leave may be accumulated up to 960 for all employees with the exception of the IAFF members who have a maximum of accumulation of 1440 hours. Upon separation or retirement after completing 10 years of service, employees do receive payment of 25% of the unused sick leave, with IAFF members limited to a maximum of 360 hours. The City Manager may accrue up to 240 hours of vacation and 960 hours of sick leave, however final cash-out of 240 hours of combined vacation and sick leave hours is payable upon separation or retirement. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 3 – Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

- 001 General Fund Deposits in the amount of \$1,151.95 which represent confiscated money awaiting disposition by the Municipal Court.
- 101 Street Fund in the amount of \$32,658.68 collected from Motor Vehicle Fuel Tax (State Shared Revenue) for funding the maintenance and operations of the streets within the city limits of Toppenish.
- 103 Vehicle License Fee Fund in the amount of \$78,401.21 collected from Vehicle License Fees pursuant to RCW 36.73.065 and RCW 82.80.140 for the transportation improvements that preserve, maintain, operate, and/or improve the existing transportation infrastructure of the city.
- 106 Tourism Fund in the amount of \$5,984.28 collected from Lodging Tax for paying all or any part of the cost of tourism promotion, acquisition of tourism-related facilities, or operation of tourism-related facilities per RCW 67.28.181.
- 119 Public Safety Fund in the amount of \$449,999.10 which represents two of four annual installments of a grant to the City for the purchase of a ladder truck by the Yakama Nation Legends Casino.
- 129 Special Investigative Drug Account (SIDA) Fund in the amount of \$27,945.34 which represents funds received from the Investigated Fund Assessment paid by person convicted of criminal misdemeanors per Ordinance 2000-6.
- 170 Housing Rehabilitation Fund in the amount of \$466,943.46 which represents receipts of loan payments for housing rehabilitation loans made available through a Community Development Block Grant. Loan proceeds can be expended on qualifying purchases that benefit the general population.
- 301 Municipal Capital Improvement Fund in the amount of \$603,624.09 which represents funds collected from the first quarter real estate excise tax per RCW 82.46.10 and are reserved for financing capital projects specified in the Capital Facilities Plan of the City of Toppenish comprehensive plan.
- 302 Capital Street Fund in the amount of \$142,662.68 which represents \$30,859.60 in construction retainage and \$111,803.08 of grant funding not expended for a capital street projects that are still active.
- 401 Water Fund in the amount of \$1,400.00 which represents the amount being held for a hydrant meter deposit, \$74,185.98 which represents \$54,547.40 in construction retainage and \$19,638.58 of grant funding not expended for a capital water project that is still active.
- 403 Sewer Capital Fund in the amount of \$198,113.30 which represents \$7,036.78 in construction retainage and \$191,076.52 of grant funding not expended for a capital sewer project that is still active, \$192,482.66 which represents the reserve funds required by the lending institution for the refinancing of the USDA-RD wastewater system improvements loan.
- 701 Perpetual Care Fund in the amount of \$290,774.25 which represents funds that are reserved for future care of the cemetery and collected through perpetual care fees assessed at time of cemetery plot sales.

Note 2 – Budget Compliance

The City adopts annual appropriated budgets for all funds. These budgets are appropriated 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. 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
001	General Fund	6,719,843.00	5,392,330.31	1,322,903.35
002	General Fund Capital Reserve Fund	612,525.00	0.00	612,525.34
003	Welcome Center Fund	21,207.00	403.22	20,803.49
004	Railroad Depot Facility Fund	10,710.00	10,708.22	1.78
006	Public Works Building Fund	1,929,702.00	88,489.77	1,841,212.23
007	Library Fund	3,115.00	3,051.98	63.02
021	Urban Development Action Grant Fund	31,926.00	0.00	31,926.03
030	Criminal Justice Fund	897,443.00	532,847.62	364,595.38
050	Special Projects Fund	172,611.00	41,633.43	130,977.17
071	Recreation Fund	<u>145,492.00</u>	<u>137,932.76</u>	<u>7,559.24</u>
	Total General Fund	10,544,574.00	5,650,169.60	4,332,567.03
101	Street Fund	694,618.00	547,768.55	146,849.47
103	Vehicle License Fee Fund	257,550.00	200,000.00	57,550.39
106	Tourism Development Fund	67,828.00	57,283.44	10,544.45
108	Cemetery Fund	214,463.00	146,590.52	67,872.34
119	Public Safety Grants Fund	505,000.00	55,000.00	450,000.00
129	Special Investigative Drug Account Fund	65,052.00	36,563.93	
170	Housing Rehabilitation Fund	501,287.00	66,388.45	434,898.51
225	Community Economic Dev Loan Fund	5,537.00	0.00	5,537.01
301	Municipal Capital Improvement Fund	704,231.00	0.00	704,231.11
302	Street Capital Fund	1,254,244.00	958,901.18	295,343.22
401	Water Fund	4,245,364.00	1,819,892.19	1,837,725.21
403	Wastewater Fund	4,893,419.00	2,795,334.16	1,481,443.46
405	Solid Waste Fund	1,564,997.00	1,353,986.39	211,010.39
410	Water Capital Fund	1,583,161.00	1,560,117.45	23,043.29
413	Wastewater Capital Fund	1,733,986.00	1,040,605.41	693,380.46
421	PW Trust Fund/DWSRF Loans Fund	458,595.00	445,532.72	13,062.28

427	DOE Centennial Sewer Loan Res. Fund	192,483.00	0.00	192,482.66
457	Cable TV Fund	401,909.00	122,452.67	276,956.78
458	Cable TV Equipment Reserve Fund	116,283.00	0.00	116,283.41
510	Vehicle Replacement Fund	1,345,127.00	55,322.55	1,289,804.29
611	Pension Trust Fund	26,800.00	26,717.87	82.13
701	Perpetual Care Fund	<u>299,009.00</u>	<u>0.00</u>	<u>299,009.02</u>
	Grand Totals	31,675,517.00	16,938,627.08	12,939,676.91

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

Note 3 – Debt Service Requirements

Debt Service

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

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

Year	Total Debt	Total Interest	Total
2020	3,546,469	65,528	3,611,997
2021	1,237,580	56,347	1,293,927
2022	983,265	49,055	1,032,320
2023	912,838	44,226	957,063
2024	912,935	39,746	952,681
2025-2029	4,231,403	136,524	4,367,927
2030-2034	1,805,472	46,686	1,852,157
2035-2039	99,998	1,827	101,824
2040-2044	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	13,729,958	439,938	14,169,896

Note 4 – Property Tax

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

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

The city's regular levy for the year 2019 was \$2.72140457 per \$1,000 on an assessed valuation of \$316,111,411 for a total regular levy of \$860,267.00.

Note 5 – Deposits and Investments

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

Type of Deposit or Investment:	City's Own	Investments Held by City	Total
Bank Deposits	6,830,398.43		6,830,398.43
L.G.I.P.	4,239,906.58	0	4,239,906.58
U.S. Bank Safekeeping	2,098,848.54	0	2,098,848.54
Smith Barney/Morgan Stanley	<u>147,370.22</u>	<u>0</u>	<u>147,370.22</u>
Total Investments	\$13,316,523.77	\$0.00	\$13,316,523.77

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

Investments in the State Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW.

Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

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

The City's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered, or held by the City or its agent in the government's name.

Note 6 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Toppenish as required by RCW 45.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had seven members, all retirees. Unless there are changes to the members, the City has an Actuarial Valuation Report prepared biannually. The 2018 Actuarial Report covers the reporting years 2018 and 2019. As such, the net Pension Liability as of December 31, 2019. As such, the net OPEB Liability as of December 31, 2019 is \$1,291,810.00 as reported on the Schedule 9 (Liabilities). For the year ending December 31, 2019, the City of Toppenish paid \$75,466.31 in benefits.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

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

At June 30, 2019, the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$95,354	0.013298	\$511,355
PERS 2/3	\$117,241	0.014355	\$139,436
LEOFF 1	0	0.012519	(\$247,452)
LEOFF 2	\$67,334	0.036521	(\$846,079)
VFFRPF	\$90	0.050000	(\$30,8179)

*PERS 1 includes UAAL

LEOFF Plan 1

The City participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Local Government Pension Plans

The City of Toppenish is the administrator of the Firefighter's Relief and Pension Plan – 1995 Act., a closed, single-employer, defined benefit pension plan established under RCW 41.18. As of December 31, 2018, membership consisted of two retired firefighters and two widows who are eligible for benefits from both the Firefighter's Relief and Pension Plan and LEOFF 1, and one widow who receives a pension from only the Firefighter's Relief and Pension Plan. Unless there are changes to the members, the City has an Actuarial Valuation Report prepared biannually.

The 2018 Actuarial Report covers the reporting years 2018 and 2019. As such, the net Pension Liability as of December 31, 2019 is \$145,764 as reported on the Schedule 9 (Liabilities). For 2019 the City paid pensions totaling \$26,717.87.

NOTE 8 – HEALTH & WELFARE

The City of Toppenish is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW, and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office

Note 9 – Risk Management

The City is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (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 163 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 [1]. Coverage includes general, automobile, police, errors, or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance, and other 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 10– Component Unit(s), Joint Ventures, and Related Parties

The Cities 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 the 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.

In December 2018, the Cable Regulation Board received proper notification from the City of Zillah of their withdrawal from the joint venture. As of January 1, 2020, the joint venture consists of the Cities of Toppenish and Wapato, and the Town of Granger, Washington,

Note 11 – Other Disclosures

A. Construction Commitment

The City has active construction projects as of December 31, 2019. The projects include:

Project	Spent to Date	Remaining Commitment
Jackson Street Extension: Design Funding: STPUS-6423(001)	\$66,717.53	\$62,873.47
West First Avenue Sidewalk Improvements: Design Funding: TAP-6404(0030)	\$17,313.25	\$9,236.75
City-Wide Sewer Improvements: Construction Funding: <ul style="list-style-type: none"> • Department of Ecology Centennial Grant • State Revolving Fund Loan • Forgivable-Principal State Revolving Fund Loan • USDA Loan • USDA Grant 	\$0.00 \$209,750.71 \$209,750.71 \$0.00 \$0.00	\$2,299,228.00 \$3,550,771.29 \$100,999.29 \$4,263,000 \$8,338,500.00
Lincoln, Dayton & Beech Street: Construction Funding: STPUS-6417(001)	\$204,516.75	\$4,035.25
Mural Route Sidewalk Improvements: Completed Funding:	\$176,670.00	\$0.00
W. 1 ST Ave Resurfacing Improvements: Completed Funding:	\$493,664.00	\$0.00
2nd Ave Reconstruction – Phase 1: Completed Funding: Washington State TIB	\$1,055,773.00	\$0.00
2nd Ave Reconstruction - Phase 2: Completed Funding: Washington State TIB	\$1,169,868.00	\$0.00
Well No. 5 Improvements: Completed Funding: Washington State Department of Health	\$1,283,514.00	\$0.00

Projects in Design and/or Awaiting Funding

1. **Jackson Street Extension Project:** The Federal Highway Administration (FHWA) awarded the City, Surface Transportation Program (STP) grant funds for design of the project in 2012. The funds are 86.5% grant and 13.5% City match. The project includes reconstructing Jackson St. from Juniper St. to the end of the existing roadway and extending Jackson St. from the end of the existing road to Ward Road. The Local Agency Agreement and Local Agency Consultant Agreement Supplements for the additional Highway Infrastructure Program (HIP) funding have been approved by Washington State Department of Transportation (WSDOT) and the Certifying Agency (CA) respectively. This City is in the process of evaluating Right-of-Way

(ROW) acquisition required for the new roadway. The Project is currently on hold pending obligation of ROW, which is anticipated to occur in 2020. Based on the current funding schedule administered by the Yakima Conference of Governments, STP construction funding (\$1,514,000) is anticipated to be available to the City in 2024. Expenditures for this project are shown on Schedule 16, identified as STPUS 6423(001).

2. West First Avenue Sidewalk Improvements: On May 6, 2019, the City was awarded grant funding from the Washington State Department of Transportation's Surface Transportation Block Grant to complete two sidewalk gaps adjacent to West 1st Avenue. The project is currently in design. Construction is anticipated to begin June 2020, with project completion anticipated July 2020. Expenditures for this project are shown on Schedule 16, identified as TAP-6404(003).

B. Construction in Progress

1. City-Wide Sewer Improvements Project: The City of Toppenish owns and operates a wastewater collection system currently serving approximately 822 acres and a wastewater treatment facility which treats approximately 1.2 million gallons per day (MGD). The City's gravity sewer lines were mostly constructed in two periods: prior to 1920, and prior to 1952. The City's collection system currently allows excessive infiltration, which has a negative impact on the WWTF's ability to treat wastewater. As a result of the excessive I/I, the City's WWTF is operating over its rated capacity and outside of the regulatory standards for treatment. The presence of infiltration also suggests that exfiltration of wastewater when groundwater levels decline is likely. The project will replace and rehabilitate the City's collection system. The collection system will be evaluated, and the sections of piping determined to be deficient will be replaced with new piping or rehabilitated through both open cut trenching and trenchless methods. The lift stations will be replaced or improved as described in the City's General Sewer Plan. The proposed improvements will greatly reduce the City's I/I issue, which will promote better treatment at the WWTF. Reducing the I/I will likely bring the City's WWTF into compliance with its permit and rated capacity. Replacement of the deteriorated piping will also reduce the likelihood of exfiltration of wastewater into the ground, helping to preserve the area's groundwater quality. The improvements will help to protect the environment and will eliminate several identified problems within the City's collection system. The project has been divided into three major phases of work. The first phase of work started in January 2020 and the anticipated completion date is June 2020. The construction project is approximately 30% complete. Additional phases of work are in the design phase and the current schedule anticipates the second phase of work to be advertised for bids in December 2020.

The City has been awarded funding from the Department of Ecology for a Centennial Grant, a State Revolving Fund Loan and a Forgivable-Principal State Revolving Fund Loan and a USDA Loan and Grant. Expenditures for this project are shown on Schedule 15, identified as WQC-2019-Toppen-00182, and the Loan will appear on the City's Annual Schedule 9 (Liabilities).

2. Lincoln Avenue, Dayton Avenue and Beech Street: In April of 2014, the Federal Highway Administration (FHWA) awarded the City of Toppenish Surface Transportation Program (STP) grant funds to design the Lincoln, Dayton, and Beech Street project. The funds are 86.5% grant and 13.5% City match. The project includes reconstructing Dayton Avenue from Elm Street to Beech Street and Beech Street from Dayton Avenue to 'D' Street and installation of illumination and sidewalk improvements on Lincoln Avenue from 'F' St. to 'L' St. The City awarded the to Tapani, Inc. with the low bid of \$1,389,964.40 on January 14, 2019. Construction began in March 23, 2020, with project completion anticipated for August 11, 2020. Expenditures for this project are shown on Schedule 16, identified as STPUS 6414(001).

C. Completed Construction Projects:

1. Mural Route Sidewalk Improvements: In November of 2017, the Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct sidewalks and ADA ramps along the Mural route. The funding is 75 percent TIB grant and 25 percent local and City match. The Yakima Valley Farm Worker's Clinic is committed to providing the 25 percent match. On January 22, 2019, bids were opened, and the apparent low bidder submitted a bid that is approximately \$18,000 over available funding. TIB offered to increase their funding level to cover 75% of the overage. The City awarded the contract to Central Washington Asphalt with the low bid of \$678,030.98 on February 25, 2019. The City Council declared the project complete on October 4, 2019. Expenditures for this project are shown on Schedule 15 for 2019, identified as P-E-178(P03)-1.
2. West 1ST Avenue Resurfacing Improvements: In November of 2017, the Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct resurfacing improvements on West 1st Avenue from Elm Street to Division Street. The funding is 90 percent TIB grant and 10 percent City match. The apparent low bidder's bid for Schedules A and B, was \$115,000 over available funding; and \$9,700.00 below the budgeted amount for Schedule C. TIB agreed to increase their funding level to cover a portion of the overage resulting in the City's match being increased for Schedules A and B. The parallel parking lanes portion (Schedule C) of the project are not eligible for TIB funding. The City received approval from the Department of Commerce to use Community Development Block Grant (CDBG) Program Income. The City awarded the contract to Central Washington Asphalt with the low bid of \$481,929.28. Construction began in April 2019 and completed in November 2019. Expenditures for this project are shown on Schedule 15, identified as 3-E-178(005)-1.
3. 2nd Avenue Reconstruction – Phase 1: The Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct Phase 1 of 2nd Avenue. The funding is 90 percent grant and 10 percent City match. The project includes installation of new sidewalk and parking for Pioneer Park, storm drainage improvements, and reconstruction of the road. The project is intended to complement the frontage improvements already constructed by Yakima Valley Farm Workers. The City awarded the contract to Tapani, Inc. on August 14, 2017. The City Council declared the project complete on November 13, 2018. As of March 28, 2019, the contractor had satisfied the requirements for the Employment Security Department and the Department of Labor & Industries.

The contractor did not satisfy the requirements for the Department of Retirement until April 2019. Expenditures for this project are shown on Schedule 15, identified as 8-4-178(004)-1.

4. 2nd Avenue Reconstruction - Phase 2: The Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct Phase 2 of 2nd Avenue from the intersection of Bolin Drive to Division Street. The funding is 90 percent TIB grant and 10 percent City match. The project includes installation of new sidewalk, curb and gutter, storm drainage improvements, and reconstruction of the road. Water main improvements include replacement of the Asbestos Cement pipe in 2nd Avenue and installation of water main in Date, Chestnut, Beech, Alder, and Division Streets.
Several fire hydrants were identified by City Staff in 1st Avenue, Washington Avenue, and Madison Avenue and have been included as a separate schedule of work. The water main improvements will be funded by utility fund balance. The City awarded the contract to Premier Excavation, Inc. with the low bid of \$1,449,250.00 on March 12, 2018. The City Council declared the project complete on August 12, 2019.

The remaining work is the energizing of the streetlights, which is dependent on Pacific Power relocating the existing power poles. The City received confirmation on February 20, 2019, from Pacific Power that the schedule will not be met. The City was informed by Pacific Power on March 19, 2019, that the project is on advertisement and that Pacific Power will advise the City when the contract is awarded. A new schedule is not available from Pacific Power. Expenditures for this project are shown on Schedule 15, identified as 8-4-178(005)-1.

5. Well No. 5 Improvements: This project includes reconstruction of City Well No. 5 to address existing system deficiencies, including construction of a new control building with separate rooms for the well, chlorine equipment, fluoridation equipment, generator, and electrical equipment; and equipping Well No. 5 with a new motor and VFD to improve well flow control and energy efficiency. This project will be funded through a low-interest loan from the Washington State Department of Health (WDOH) Drinking Water State Revolving Fund (DWSRF) construction loan program. The City awarded the contract to Apollo, Inc., with the low bid of \$1,125,945.62 in October 2018 and was accepted as complete by the City Council on November 12, 2019. Expenditures for this project are shown on Schedule 16, identified as CFDA 66.468, and the Loan will appear on the City's Annual Schedule 9 (Liabilities).

D. Uncollectable Receivables

On March 9, 2020, the City Council wrote off \$19,080.36 in uncollectable utility debit as provided for in RCW 14.16.040, for the reasons of bankruptcy or death of the account holder, or if the debit has reached the statutory limit for collection.

E. Potential Litigation

The City has two open liability claims and one Federal lawsuit seeking injunctive relief:

1. On October 3, 2018, the Confederated Tribes and Bands of the Yakama Nation filed suit against the City of Toppenish in the United States District Court for the Eastern District of Washington and requested injunctive relief. The Yakama Nation asserted that the City violated and continues to violate its rights and interests under the Treaty of 1855 and as a sovereign nation by exercising criminal jurisdiction over Yakama Nation members for crimes occurring on the Yakama Reservation.
On February 22, 2019, the Court denied the Yakama Nation's request for injunctive relief and dismissed its case. The Yakama Nation appealed the Court's decision to the Ninth Circuit Court of Appeals and the Ninth Circuit heard oral argument on the matter March 3, 2020. The Ninth Circuit has not yet rendered a decision, but one is expected at any time.
2. On December 12, 2019, Ricky Lee Bounds sued the City of Toppenish and police officers Joshua Rosenow and Michael Arriaga as the result of a December 15, 2017 incident wherein Mr. Bounds was shot by a law enforcement officer from a neighboring agency. The incident occurred in the nearby City of Zillah. Officers Rosenow and Arriaga were acting in a capacity of backup and containment at the time of the incident and did not fire their weapons. The lawsuit, which was filed in Yakima County Superior Court, is currently in the early stages of discovery and no trial date has yet been set. Currently, it does not appear that there is any liability on the part of the City of Toppenish or officers Rosenow or Arriaga. The claim has been tendered to the insurance pool for the City, Washington Cities Insurance Authority and Kirk A. Ehlis of the law firm Menke Jackson Beyer, LLP has been assigned to defend. The City intends to defend the claim vigorously. The two cities allocate police mutual liability through a written agreement. If Rosenow and Arriaga are later dismissed from the lawsuit, billing would revert to Zillah only.
3. On March 23, 2020, a lawsuit arising under Washington's Public Records Act was filed. The City is being defended by Quinn Plant and the law firm Menke Jackson Beyer, LLP. The plaintiff alleges that the City failed to respond to a public record request dated March 23, 2019, in the manner required by the Public Records Act. The lawsuit was served on the City in April 2020 and is in its early stages. The City has answered and served discovery on the plaintiff. Answers to the discovery are not yet due. The Court has not made any substantive rulings. The City will vigorously defend the action. In our opinion, it is not possible at this time to meaningfully quantify the possibility of an unfavorable outcome or the range of possible loss.
4. Estate of Alfred Chino v. City of Toppenish – On 6/15/2019 Two officers responded to a domestic violence call but when they arrived the suspect ran inside the house and the officers followed. Suspect grabbed a knife from inside the house and charged at the officers. Both Officers shot at him. The Estate has not filed a required Claim for Damages form, however an attorney representing the Estate has filed records requests with the City.
The City's liability risk pool, WCIA, has opened a claim and provided defense counsel in anticipation of receiving a police practices tort claim.

F. Subsequent Events

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

CITY OF TOPPENISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 local government and provides police, fire, parks, and recreation, planning and zoning, street maintenance and improvements, cemetery, housing rehabilitation, community development, building, code enforcement, water sewer, and solid waste.

The City of Toppenish 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 City are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The City'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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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.

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 City 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.

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

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

C. Cash and Investments

See Note 3, Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for Teamsters and Fraternal Order of Police Officer members and some exempt staff, 432 hours for International Association of Firefighters (IAFF), and 260 hours for Department Directors, and is payable upon separation or retirement. 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 separation or retirement after completing at least 10 years of service, an employee shall be paid 25% of the accumulated sick leave with IAFF members limited to a maximum of 360 hours. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

- 001 General Fund in the amount of \$1,018.94 which represents forfeited monies held as evidence awaiting disposition from the Toppenish Municipal Court.
- 101 Street Fund in the amount of \$105,700.54 collected from Motor Vehicle Fuel Tax (State Shared Revenue) for funding the maintenance and operations of the streets within the city limits of Toppenish.
- 103 Vehicle License Fee Fund in the amount of \$125,691.17 collected from Vehicle License Fees pursuant to RCW 36.73.065 and RCW 82.80.140 for the transportation improvements that preserve, maintain, operate, and/or improve the existing transportation infrastructure of the city.
- 106 Tourism Fund in the amount of \$9,194.81 collected from Lodging Tax for paying all or any part of the cost of tourism promotion, acquisition of tourism-related facilities, or operation of tourism-related facilities per RCW 67.28.181.

- 119 Public Safety Fund in the amount of \$279,935.44 which represents \$29,935.44 of unexpended 2018 grant for the purchase of one police vehicle and \$250,000.00 which represents the first of four annual installments of a grant to the City for the purchase of a ladder truck by the Yakama Nation Legends Casino.
- 129 Special Investigative Drug Account (SIDA) Fund in the amount of \$11,834.38 received from the Investigated Fund Assessment paid by person convicted of criminal misdemeanors per Ordinance 2000-6.
- 170 Housing Rehabilitation Fund in the amount of \$453,516.63 which represents \$1,078.02 in construction retainage and \$452,438.36 in receipts of loan payments for housing rehabilitation loans made available through a Community Development Block Grant. Loan proceeds can be expended on qualifying purchases that benefit the general population.
- 301 Municipal Capital Improvement Fund in the amount of \$580,158.26 collected from the first quarter real estate excise tax per RCW 82.46.10 and are reserved for financing capital projects specified in the Capital Facilities Plan of the City of Toppenish comprehensive plan.
- 302 Capital Street Fund in the amount of \$151,085.08 which represents \$91,948.11 in construction retainage and \$59,136.97 of grant funding not expended for a capital street projects that are still active.
- 401 Utility Deposit Fund in the amount of \$500.00 which represents the amount being held for a rented hydrant meter deposit.
- 403 Sewer Capital Fund in the amount of \$234,823.75 which represents \$40,258.94 in construction retainage and \$194,564.81 of grant funding not expended for a capital sewer project that is still active, \$192,482.66 for maintaining the reserve funds required by the lending institution for the refinancing of the USDA-RD wastewater system improvements loan.
- 701 Perpetual Care Fund in the amount of \$281,881.03 are reserved for future care of the cemetery and collected through perpetual care fees assessed at time of cemetery plot sales.

NOTE 2 – BUDGET COMPLIANCE

A. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated 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. 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	Department	Final Appropriated	Actual Expenditures	Variance
001	General Fund	6,308,132	5,102,554	1,205,578
002	General Fund Capital Reserve Fund	511,552	0	511,552
003	Welcome Center Fund	23,240	5,546	17,694
004	Railroad Depot Facility Fund	12,200	11,664	536
006	Public Works Building Fund	250,000	0	250,000
021	Urban Dev Action Grant Fund	31,845	0	31,845
030	Criminal Justice Fund	625,960	401,113	224,847
050	Special Projects Fund	206,974	64,221	142,753
071	Recreation Fund	136,232	127,374	8,858
001	General Fund	8,106,134	5,337,715	2,393,662
101	Street Fund	389,243	279,769	109,474
103	Vehicle License Fee Fund	311,002	200,024	110,978
106	Tourism Development Fund	76,772	59,406	17,366
108	Cemetery Fund	195,934	78,370	117,563
119	Public Safety Grants Fund	318,450	38,452	279,998
129	Special Inv Drug Account Fund	55,681	10,551	45,129
170	Housing Rehabilitation Fund	476,720	71,076	405,644
225	Community Econ Dev Loan Fund	5,528	0	5,528
301	Municipal Capital Improve Fund	653,659	0	653,659
302	Street Capital Fund	1,500,040	1,463,859	36,181
401	Water Fund	3,973,802	1,973,724	2,000,078
403	Wastewater Fund	4,712,828	2,836,100	1,876,728
405	Solid Waste Fund	1,510,097	1,090,577	419,520
410	Water Capital Fund	1,218,115	786,973	431,142
413	Wastewater Capital Fund	1,324,700	319,898	1,004,802
421	PW Trust Fund/DWSRF	326,800	274,729	52,071
427	DOE Cent Sewer Loan Res Fund	192,483	0	192,483
457	Cable TV Fund	313,725	127,507	186,218
458	Cable TV Equipment Reserve Fund	115,862	0	115,862
510	B&O Tax - Toppenish Sewer	1,127,070	127,736	999,334
611	Pension Benefits - Retirees	35,340	27,719	7,621
701	Perpetual Care Fund	286,334	0	286,334
Grand Totals		27,226,319	15,104,185	11,747,377

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's legislative body.

NOTE 3 – DEPOSITS AND INVESTMENTS

It is the City'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 or its agent in the City's name.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

Type of Investment:	City's Own	Investments Held by City	Total
Bank Deposits	\$4,957,404		\$4,957,404
L.G.I.P.	5,088,286		5,088,286
U.S. Bank Safekeeping	2,107,028		2,107,028
Smith Barney/Morgan Stanley	135,641		135,641
Total Investments	\$12,288,359		\$12,288,359

NOTE 4 - PROPERTY TAX

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

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

The City's regular levy for the year 2018 was \$2.80590331 per \$1,000 on an assessed valuation of \$296,854,185 for a total regular levy of \$832,944.14.

NOTE 5 – DEBT SERVICE REQUIREMENTS

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2018.

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

Year	Total Debt	Total Interest	Total
2019	2,161,869	74,607	2,236,476
2020	1,258,921	65,528	1,324,449
2021	1,237,580	56,347	1,293,927
2022	983,265	49,055	1,032,320
2023	912,838	44,226	957,063
2024-2028	4,414,159	154,707	4,568,866
2029-2033	2,311,227	64,740	2,375,968
2034-2038	324,420	5,335	329,755
2039-2043	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	13,604,279	514,545	14,118,824

In February 2015, the City received a loan from Department of Ecology for \$150,000 with one-half of the loan being a “forgivable principal loan”. The funds come from a combination of Federal Capitalization Grant provided through the Environmental Protection Agency (EPA) and Clean Water State Revolving Fund (CWSRF). The loan (one-half of the total or \$75,000) consists of a 20-year loan term with 2.7% interest. The original loan amount for the state revolving fund loan portion was decreased by \$519.95, from \$75,000 to \$74,480.05 based upon the final eligible costs for the project. In addition, \$4,613.15 of interest had accrued from previous payments and is included in the final repayment amount, resulting in the final loan amount of \$79,093.20. The Department of Ecology issued Final Loan Repayment Schedule No. 2493 (replaced Schedule No. 2420) on April 20, 2018. The loan is shown on the Schedule 9 (Liabilities) as DOE/CWSRF/Sewer Plan & Camera/Van EL150107 with an ending 2018 ending balance of \$75,387.00.

NOTE 6 – OPEB PLANS

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Toppenish as required by RCW 45.26. The plan pays for 100% of eligible retirees’ healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had seven members, all retirees. The net OPED Liability as of December 31, 2018 is \$1,291,810.00 as reported on the Schedule 9 (Liabilities). For the year ending December 31, 2018, the City of Toppenish paid \$71,695.18 in benefits.

NOTE 7 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City 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 DRS, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan.

The DRS CAFR may be obtained by writing to:

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

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

The City 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, 2018 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	98,297	.014706%	656,775
PERS 2/3	119,319	.015464%	264,034
PSERS 2	3,574	.013532%	168
LEOFF 1	0	.012923%	-234,617
LEOFF 2	69,484	.040069%	-813,488
VFFRPF	90	.040000%	-23,211.13

*PERS 1 includes UAAL and averages the percentage

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the

current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Local Government Pension Plans

The City of Toppenish is the administrator of the Firefighter's Relief and Pension Plan – 1995 Act., a closed, single-employer, defined benefit pension plan established under RCW 41.18. As of December 31, 2018, membership consisted of two retired firefighters and two widows who are eligible for benefits from both the Firefighter's Relief and Pension Plan and LEOFF 1, and one widow who receives a pension from only the Firefighter's Relief and Pension Plan. The net Pension Liability as of December 31, 2018 is \$145,764 as reported on the Schedule 9 (Liabilities). For the year ending December 31, 2018 the City paid \$27,718.76 pension benefits.

NOTE 8 – HEALTH & WELFARE

The City of Toppenish is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss

insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31.

Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP.

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

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

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 9 – 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 (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 160 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 [1]. Coverage includes general, automobile, police, errors, or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance.

Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance, and other 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 10 – JOINT VENTURES

The Cities 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 the 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. Projects in Design and/or Awaiting Funding

West First Avenue Sidewalk Improvements: The City received State Transportation Block Grant – Set aside (STBG) funding to construct a new sidewalk along the south side of First Avenue to complete sidewalk gaps. Design funding obligation is pending with WSDOT and is expected in May 2019. There are no expenditures to report on either the Schedule 15 or 16 for 2018, as the expenditures to date are from City funds.

City-Wide Sewer Improvements Project: The City of Toppenish owns and operates a wastewater collection system currently serving approximately 822 acres and a wastewater treatment facility which treats approximately 1.2 million gallons per day (MGD). The City's gravity sewer lines were mostly constructed in two periods: prior to 1920, and prior to 1952. The City's collection system currently allows excessive infiltration, which has a negative impact on the WWTF's ability to treat wastewater. As a result of the excessive infiltration and inflow, the City's WWTF is operating over its rated capacity and outside of the regulatory standards for treatment. The presence of infiltration also suggests that exfiltration of wastewater when groundwater levels decline is likely.

The project will replace and rehabilitate the City's collection system. The collection system will be evaluated, and the sections of piping determined to be deficient will be replaced with new piping or rehabilitated through both open cut trenching and trenchless methods. The lift stations will be replaced or improved as described in the City's General Sewer Plan. The proposed improvements will greatly reduce the City's infiltration and inflow issue, which will promote better treatment at the WWTF. Reducing the infiltration and inflow will likely bring the City's WWTF into compliance with its permit and rated capacity. Replacement of the deteriorated piping will also reduce the likelihood of exfiltration of wastewater into the ground, helping to preserve the area's groundwater quality. The improvements will help to protect the environment and will eliminate several identified problems within the City's collection system.

The City has been awarded funding from the Department of Ecology for a Centennial Grant, a State Revolving Fund Loan and a forgivable-principal State Revolving Fund Loan and a USDA Grant. Expenditures for this project are reported on Schedule 15.

Jackson Street Extension Project: The Federal Highway Administration (FHWA) awarded the City, Surface Transportation Program (STP) grant funds for design of the project in 2012. The funds are 86.5% grant and 13.5% City match. The project includes reconstructing Jackson St. from Juniper St. to the end of the existing roadway and extending Jackson St. from the end of the existing road to Ward Road. The Local Agency Agreement and Local Agency Consultant Agreement Supplements for the additional Highway Infrastructure Program (HIP) funding have been approved by Washington State Department of Transportation (WSDOT) and the Certifying Agency (CA) respectively. This City is in the process of evaluating Right-of-Way (ROW) acquisition required for the new roadway. The Project is currently on hold pending obligation of ROW, which is anticipated to occur in 2018.

Based on the current funding schedule administered by the Yakima Conference of Governments, STP construction funding is anticipated to be available to the City in 2024. Expenditures for this project are shown on Schedule 16.

Lincoln Avenue, Dayton Avenue and Beech Street: In April of 2014, the Federal Highway Administration (FHWA) awarded the City of Toppenish Surface Transportation Program (STP) grant funds to design the Lincoln, Dayton, and Beech Street project. The funds are 86.5% grant and 13.5% City match. The project includes reconstructing Dayton Avenue from Elm Street to Beech Street and Beech Street from Dayton Avenue to 'D' Street and installation of illumination and sidewalk improvements on Lincoln Avenue from 'F' St. to 'L' St. Based on the current funding schedule administered by the Yakima Conference of Governments, STP construction funding is anticipated to be available to the City for this project in 2020. The Local Agency Agreement and Local Agency Consultant Agreement Supplements for the additional HIP funding have been approved by WSDOT. The project is anticipated to begin December 2019 with project completion anticipated for July 2020. Expenditures for this project are shown on Schedule 16.

B. Construction in Progress

Well No. 5 Improvements: This project includes reconstruction of City Well No. 5 to address existing system deficiencies, including construction of a new control building with separate rooms for the well, chlorine equipment, fluoridation equipment, generator, and electrical equipment; and equipping Well No. 5 with a new motor and VFD to improve well flow control and energy efficiency. This project will be funded through a low-interest loan from the Washington State Department of Health (WDOH) Drinking Water State Revolving Fund (DWSRF) construction loan program via the U.S. Environmental Protection Agency. As of April 2019, Construction of this project is approximately 50% complete. The project anticipated to be complete in April 2019. Expenditures for this project are shown on Schedule 16, identified as CFDA 66.458, and the Loan will appear on the City's Annual Schedule 9 (Liabilities).

Mural Route Sidewalk Improvements: In November of 2017, the Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct sidewalk and ADA ramps along the mural route.

The funding is 75 percent TIB grant and 25 percent local and City match. The Yakima Valley Farm Worker's Clinic is committed to providing the 25 percent match. On January 22, 2019, bids were opened, and the apparent low bidder submitted a bid that is approximately \$18,000 over available funding. TIB has offered to increase their funding level to cover 75% of the overage. The approximate 10-day project is anticipated to begin on April 15, 2019, with completion anticipated on June 17, 2019. Expenditures for this project are shown on Schedule 15.

West 1ST Avenue Resurfacing Improvements: In November of 2017, the Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct resurfacing improvements on West 1st Avenue from Elm Street to Division Street. The funding is 90 percent TIB grant and 10 percent City match. On January 22, 2019, bids were opened, and the apparent low bidder submitted a bid approximately \$115,000.00 over available funding. TIB has offered to increase their funding level to cover a portion of the overage, as such the City's match will also be increased.

The parallel parking lanes are not eligible for TIB funding and approval has been granted by the Department of Commerce to use Community Development Block Grant (CDBG) Program Income. The apparent low bidder for the parallel parking lanes submitted a bid that is approximately \$9,700.00 below the budgeted amount. It is anticipated the additional CDBG Program Income will be used to offset any overages for the remainder of the project. This approximate 35-day project is anticipated to begin on April 15, 2019, with completion anticipated on June 17, 2019. Expenditures for this project are shown on Schedule 15.

2nd Avenue Reconstruction – Phase 1: The Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct Phase 1 of 2nd Avenue. The funding is 90 percent grant and 10 percent City match. The project includes installation of new sidewalk and parking for Pioneer Park, storm drainage improvements, and reconstruction of the road. The project is intended to complement the frontage improvements already constructed by Yakima Valley Farm Workers. All work by the contractor was completed on August 6, 2018. The Public Works Notice of Completion form has been executed and was submitted by the City on January 31, 2019, and resent on January 31, 2019, March 12, 2019, and March 20, 2019. After follow-up with Employment Security Department (ESD), Department of Revenue (DOR), and Labor and Industries (L&I), the City was advised the agencies has not been able to process any closeouts. As of March 28, 2019, ESD and L&I releases have been received. The contractor is working to reconcile with DOR. Expenditures for this project are shown on Schedule 15.

Completed Construction Projects:

Penny Lane Lift Station and Collection Sewers: The City was awarded funding for the project from the Clean Water State Revolving Fund (CWSRF) Forgivable Loan in the amount of \$448,200 and a CWSRF Loan in the amount of \$797,800 for the design and construction of a new lift station and sewer collection pipes replacing infrastructure which has reached the end of their useful design life. The new lift station will be significantly more reliable and meet redundancy requirements.

This project will reduce infiltration and inflow, decrease flows, and enable better treatment at the wastewater facility, ensuring that water quality will be preserved in the Toppenish Drain and Yakima River Basin. Construction began July 2017 and was completed on August 13, 2018. The Loan will appear on the City's Annual Schedule 9 (Liabilities).

2nd Avenue Reconstruction - Phase 2: The Transportation Improvement Board (TIB) awarded the City of Toppenish grant funds to design and construct Phase 2 of 2nd Avenue from the intersection of Bolin Drive to Division Street. The funding is 90 percent TIB grant and 10 percent City match. The project includes installation of new sidewalk, curb and gutter, storm drainage improvements, and reconstruction of the road. Water main improvements include replacement of the Asbestos Cement pipe in 2nd Avenue and installation of water main in Date, Chestnut, Beech, Alder, and Division Streets. Several fire hydrants were identified by City Staff in 1st Avenue, Washington Avenue, and Madison Avenue and have been included as a separate schedule of work. The water main improvements will be funded by utility fund balance. Construction began on April 2018. As of December 4, 2018, all work under the City's contract was completed. The remaining work is the energizing of the streetlights, which is dependent on Pacific Power relocating the existing power poles. The City received confirmation on February 20, 2019, from Pacific Power that the schedule will not be met. The City was informed by Pacific Power on March 19, 2019, that the project is on advertisement and that Pacific Power will advise the City when the contract is awarded. A new schedule is not available from Pacific Power at this time. Expenditures for this project are shown on Schedule 15.

C. Potential Litigation

The City has two open liability claims and one Federal lawsuit seeking injunctive relief:

1. May 21, 2018 Auto Liability: The claimant, a minor passenger, in a vehicle that was rear ended by a City of Toppenish Police Officer. The City has liability insurance through WCIA, and a tentative settlement has been reached. The settlement awaits Court approval with GAL to obtain a release.
2. September 28, 2018 Auto Liability: The claimant's vehicle was parked and unoccupied when the City dump truck contacted the parked vehicle causing minor property damage. The City's risk pool accepted the claim and the claim should be closed within 30 days.
3. On October 3, 2018, the Confederated Tribes and Bands of the Yakama Nation filed suit against the City of Toppenish in the United States District Court for the Eastern District of Washington and requested injunctive relief. The Nation asserted that the City violated and continues to violate its rights and interests under the Treaty of 1855 and as a sovereign nation by exercising criminal jurisdiction over Nation members for crimes occurring on the Yakama Reservation. On February 22, 2019, the Court denied the Nation's request for injunctive relief and dismissed its case. The Nation has now appealed the Court's decision to the Ninth Circuit Court of Appeals. Following submission of briefs by the parties the Ninth Circuit will determine whether or not oral argument is necessary or appropriate. A decision by the Ninth Circuit will likely not be rendered until mid to late 2020 at the earliest.

**City of Toppenish
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.96	Local Loan/TOP0851-9-1: 2 Police cars	12/1/2020	47,354	-	23,099	24,255
Total General Obligation Debt/Liabilities:			47,354	-	23,099	24,255
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF #4-PW-01-691-062-Grav Pipe Replacement	7/1/2021	192,205	-	64,068	128,137
263.88	PWTF #5-PW-02-691-058-Grav Pipe Replacement-II	6/1/2022	282,087	-	70,522	211,565
263.88	PWTF #7-PW-05-694-PRE-138-WWTP Upgrade	7/1/2025	287,325	-	41,047	246,278
263.88	DOE/Cent #L200018-Sewer System Improve	9/15/2021	562,588	-	184,734	377,854
263.88	DOE/SRF: WWTP Upgrade # L0800015	10/30/2030	5,363,343	-	446,945	4,916,398
263.88	DOE/Sewer Plan & Camera/Van #EL150107	8/1/2037	75,387	-	3,185	72,202
263.88	DOE/Penny Lane LS & Sewers #EL170039	6/30/2037	688,149	97,456	-	785,605
263.88	DOE/CWSRF #EL190340 Citywide Sewer Rehab	7/1/2042	-	31,813	-	31,813
263.88	DWSRF #03-65103-051-Telemetry System Impr	10/1/2024	42,598	-	7,100	35,498
263.88	DWSRF #DM07-952-031-Well No. 9	10/1/2028	1,351,365	-	135,136	1,216,229
263.88	DWSRF #DM-952-104-2013 Water System Impr	10/1/2033	891,187	-	59,413	831,774
263.88	DWSRF #DM12-952-105-1.7 MG Reservoir	10/1/2034	2,814,505	-	175,907	2,638,598
263.88	DWSRF #DM13-952-151-2014 Water System Impr	10/1/2036	831,105	-	87,485	743,620
263.88	DWSRF #DWL23489-Well No. 5	10/1/2049	175,080	1,348,502	53,452	1,470,130
264.30	Pension Liability	12/31/2019	920,976	-	270,185	650,791
264.30	Pension Liability Pre LEOFF Firefighters	12/31/2019	145,764	-	-	145,764
264.40	Other Post Employment Benefits	12/31/2019	1,291,810	-	-	1,291,810
259.12	Compensated Absenses	12/31/2019	430,813	46,239	86,647	390,405
Total Revenue and Other (non G.O.) Debt/Liabilities:			16,346,287	1,524,010	1,685,826	16,184,471
Total Liabilities:			16,393,641	1,524,010	1,708,925	16,208,726

**City of Toppenish
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.96	Local Loan - TOP0851-9-1- Police Cars	12/1/2020	69,353	-	21,999	47,354
263.96	Local Loan - TOP0851-10-1 Radio Read Meters	12/1/2018	8,792	-	8,792	-
263.96	Local Loan - TOP0851-10-1 Radio Read Meters	12/1/2018	4,945	-	4,945	-
Total General Obligation Debt/Liabilities:			83,090	-	35,736	47,354
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	PWTF #4-PW-01-691-062-Gravity Pipe Replacement	6/1/2021	256,273	-	64,068	192,205
263.82	PWTF #5-PW-02-691-058-Gravity Pipe Replacement-II	6/1/2022	352,609	-	70,522	282,087
263.82	PWTF #7-PW-05-694-PRE-138-WWTP Upgrade	6/1/2025	328,372	-	41,047	287,325
263.82	PWTF #8/DWSRF: Telemetry System Imprv	10/1/2024	49,698	-	7,100	42,598
263.82	PWTF #9/DWSRF: Well No. 9	10/1/2028	1,486,501	-	135,136	1,351,365
263.82	DWSRF #DWL23489-Well No. 5	10/1/2038	-	175,080	-	175,080
263.82	DOE/SRF: #L800015 WWTP Upgrade	10/30/2030	5,810,288	-	446,945	5,363,343
263.82	DOE/Cent #L200018-Sewer System Improvements	9/15/2021	744,582	-	181,994	562,588
263.82	PWTF #10/DWSRF: 2013 Water System Improvements	10/1/2033	950,600	-	59,413	891,187
263.82	PWTF #11/DWSRF: 1.7 MG Reservoir	10/1/2034	2,990,412	-	175,907	2,814,505
263.82	PWTF #12/DWSRF: 2014 Water System Improvements	10/1/2036	831,105	-	-	831,105
263.82	DOE/CWSRF/Sewer Plan & Camera/Van EL150107	8/31/2037	70,800	8,293	3,706	75,387
263.82	DOE: Penney Lane LS & Collection Sewers EL170039	1/1/2038	419,420	268,729	-	688,149
264.30	Pension Liability DRS	12/31/2018	1,359,678	-	438,702	920,976
264.30	Pension Liability Pre-LEOFF Firefighters	12/31/2018	258,364	-	112,600	145,764
264.40	Other Post Employment Benefits	12/31/2018	121,639	1,170,173	-	1,291,812
259.12	Compensated Absence	12/31/2018	414,327	79,223	62,737	430,813
Total Revenue and Other (non G.O.) Debt/Liabilities:			16,444,668	1,701,498	1,799,877	16,346,289
Total Liabilities:			16,527,758	1,701,498	1,835,613	16,393,643

City of Toppenish
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
OFFICE OF JUSTICE PROGRAMS, JUSTICE; DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	2019- BUBX17087032	-	1,328	1,328	1,2,4
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington, Department of Transportation)	Highway Planning and Construction	20.205	STPUS 6417(001)	78,582	-	78,582	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-6404(003)	17,313	-	17,313	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington, Department of Transportation)	Highway Planning and Construction	20.205	STPUS 6423(001)	4,363	-	4,363	1,2,4
Total Highway Planning and Construction Cluster:				100,258	-	100,258	-
Drinking Water State Revolving Fund Cluster							
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via State of Washington, Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWL23489	1,283,514	-	1,283,514	1,2,3,4
Total Drinking Water State Revolving Fund Cluster:				1,283,514	-	1,283,514	-
Total Federal Awards Expended:				1,383,772	1,328	1,385,100	-

City of Toppenish
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the cash-basis form of account.

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's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Federal Loans

The City was awarded funding for the Well No. 5 Improvements from the Washington State Department of Health, Drinking Water State Revolving Fund, via the U.S. Environmental Protection Agency in the amount of \$1,388,988.36. This project includes reconstruction of City Well No. 5 to address existing system deficiencies, including construction of a new control building with separate rooms for the well, chlorine equipment, fluoridation equipment, generator, and electrical equipment; and equipping Well No. 5 with a new motor and VFD to improve well flow control and energy efficiency. The City awarded the contract to Apollo, Inc., October 2018 and was accepted as complete by the City Council on November 12, 2019. Expenditures for this project are shown on Schedule 16, identified as CFDA 66.468, and the Loan will appear on the City's Annual Schedule 9 (Liabilities).

Note 4 – Indirect Cost Rate

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

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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