



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Toppenish

For the period January 1, 2020 through December 31, 2020

Published September 30, 2021

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

September 30, 2021

Mayor and City 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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Toppenish January 1, 2020 through December 31, 2020

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>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

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, 2020 through December 31, 2020

Mayor and City 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 year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 23, 2021.

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 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct and indirect financial impact on the City is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated September 23, 2021.

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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 23, 2021

INDEPENDENT AUDITOR'S REPORT

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, 2020 through December 31, 2020

Mayor and City 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, 2020. 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, 2020.

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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 23, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Toppenish **January 1, 2020 through December 31, 2020**

Mayor and City 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 year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of 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 year ended December 31, 2020, 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, 2020, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matter of Emphasis

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 23, 2021

FINANCIAL SECTION

City of Toppenish January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

City of Toppenish
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	103 Vehicle License Fee Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	13,315,370	5,057,006	90,635	78,401
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	5,382,966	5,122,249	-	157,687
320	Licenses and Permits	135,751	103,172	1,750	-
330	Intergovernmental Revenues	5,032,553	660,459	180,805	-
340	Charges for Goods and Services	6,963,716	131,652	2,514	-
350	Fines and Penalties	78,221	76,100	-	-
360	Miscellaneous Revenues	369,951	94,732	13,994	16
Total Revenues:		17,963,158	6,188,364	199,063	157,703
Expenditures					
510	General Government	1,170,126	1,170,101	-	-
520	Public Safety	3,234,316	3,226,218	-	-
530	Utilities	4,881,976	-	-	-
540	Transportation	323,523	-	323,523	-
550	Natural/Economic Environment	307,629	110,186	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	316,271	316,271	-	-
Total Expenditures:		10,233,841	4,822,776	323,523	-
Excess (Deficiency) Revenues over Expenditures:		7,729,317	1,365,588	(124,460)	157,703
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	3,776,567	-	-	-
397	Transfers-In	356,511	-	76,511	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,240,724	2,155,135	325	-
Total Other Increases in Fund Resources:		6,373,802	2,155,135	76,836	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	9,277,098	413,163	-	-
591-593, 599	Debt Service	1,421,520	25,467	-	-
597	Transfers-Out	356,511	140,000	10,000	76,511
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	104,342	46,086	-	-
Total Other Decreases in Fund Resources:		11,159,471	624,716	10,000	76,511
Increase (Decrease) in Cash and Investments:		2,943,648	2,896,007	(57,624)	81,192
Ending Cash and Investments					
50821	Nonspendable	305,631	-	-	-
50831	Restricted	4,301,344	764,013	20,259	159,593
50841	Committed	-	-	-	-
50851	Assigned	4,535,900	-	12,756	-
50891	Unassigned	7,116,161	7,189,007	-	-
Total Ending Cash and Investments		16,259,036	7,953,020	33,015	159,593

City of Toppenish
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		106 Tourism Development Fund	108 Cemetery Fund	119 Public Safety Grants Fund	129 Special Investigative Drug Account
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,161	73,740	449,999	27,945
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	13,617	-	-	-
320	Licenses and Permits	30,829	-	-	-
330	Intergovernmental Revenues	-	67	-	-
340	Charges for Goods and Services	-	98,706	-	-
350	Fines and Penalties	-	-	-	2,121
360	Miscellaneous Revenues	25	5,119	146,815	161
Total Revenues:		44,471	103,892	146,815	2,282
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	8,098
530	Utilities	-	122,144	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	40,190	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		40,190	122,144	-	8,098
Excess (Deficiency) Revenues over Expenditures:		4,281	(18,252)	146,815	(5,816)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	34,315	936
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	19
Total Other Decreases in Fund Resources:		-	-	34,315	955
Increase (Decrease) in Cash and Investments:		4,281	(18,252)	112,500	(6,771)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,295	-	562,499	21,174
50841	Committed	-	-	-	-
50851	Assigned	5,147	55,492	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		12,442	55,492	562,499	21,174

City of Toppenish
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		157 Cable TV Fund	170 Housing Rehabilitation Fund	225 Community Economic Development	301 Municipal Capital Improvement
Beginning Cash and Investments					
308	Beginning Cash and Investments	477,365	481,668	5,537	720,419
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	54,314	-	-	35,099
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	28,717	-	-	-
340	Charges for Goods and Services	41,911	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,675	2,636	-	8,210
Total Revenues:		126,617	2,636	-	43,309
Expenditures					
510	General Government	-	25	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	126,109	31,144	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		126,109	31,169	-	-
Excess (Deficiency) Revenues over Expenditures:		508	(28,533)	-	43,309
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	47,826	-	-
Total Other Increases in Fund Resources:		-	47,826	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	94,015	63,115	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		94,015	63,115	-	-
Increase (Decrease) in Cash and Investments:		(93,507)	(43,822)	-	43,309
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	383,858	424,769	-	763,728
50841	Committed	-	-	-	-
50851	Assigned	-	13,077	5,537	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		383,858	437,846	5,537	763,728

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, 2020

		302 Street Capital Fund	401 Water Fund	403 Wastewater Fund	405 Solid Waste Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	142,663	1,551,278	2,396,415	131,978
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,558,961	8,726	2,586,443	8,375
340	Charges for Goods and Services	-	2,392,970	3,144,300	1,151,663
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1	51,926	15,383	645
Total Revenues:		1,558,962	2,453,622	5,746,126	1,160,683
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	1,742,797	1,958,197	1,058,838
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,742,797	1,958,197	1,058,838
Excess (Deficiency) Revenues over Expenditures:		1,558,962	710,825	3,787,929	101,845
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	65,997	3,710,570	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	6,526	226	127
Total Other Increases in Fund Resources:		-	72,523	3,710,796	127
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,774,470	6,786	6,797,582	21,643
591-593, 599	Debt Service	-	572,849	823,204	-
597	Transfers-Out	-	40,000	50,000	40,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	58,237	-	-
Total Other Decreases in Fund Resources:		1,774,470	677,872	7,670,786	61,643
Increase (Decrease) in Cash and Investments:		(215,508)	105,476	(172,061)	40,329
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	1,400	1,175,472	-
50841	Committed	-	-	-	-
50851	Assigned	-	1,655,358	1,048,881	172,307
50891	Unassigned	(72,846)	-	-	-
Total Ending Cash and Investments		(72,846)	1,656,758	2,224,353	172,307

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, 2020

		510 Vehicle Replacement Fund	701 Perpetual Care Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	1,320,157	302,003
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	7,701	20,912
Total Revenues:		7,701	20,912
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	-
Excess (Deficiency) Revenues over Expenditures:		7,701	20,912
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	280,000	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	30,559	-
Total Other Increases in Fund Resources:		310,559	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	71,073	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		71,073	-
Increase (Decrease) in Cash and Investments:		247,187	20,912
Ending Cash and Investments			
50821	Nonspendable	-	305,631
50831	Restricted	-	17,284
50841	Committed	-	-
50851	Assigned	1,567,345	-
50891	Unassigned	-	-
Total Ending Cash and Investments		1,567,345	322,915

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, 2020

		Total for All Funds (Memo Only)	Pension/OPEB Trust Fund	Custodial
308	Beginning Cash and Investments	1,152	-	1,152
388 & 588	Net Adjustments	-	-	-
310-390	Additions	105,131	22,592	82,539
510-590	Deductions	106,259	22,592	83,667
	Net Increase (Decrease) in Cash and Investments:	(1,128)	-	(1,128)
508	Ending Cash and Investments	23	-	23

The accompanying notes are an integral part of this statement.

CITY OF TOPPENISH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 Notes 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 presented using classifications that are similar to the ending balance classification 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.

Private-Purpose Trust Funds

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City 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 Officers (FOP), Teamsters representing Dispatch Services, Administrative Services, Development Services, and Public Works, and some exempt staff. Up to 360 hours for the International Association of Firefighters (IAFF), and up to 260 hours for Department Directors. Sick leave may be accumulated up to 960 hours for all employees except the IAFF members who may accumulate up to 1,440 hours. Upon separation and after completing 10 years of service, or retirement through DRS, employees 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 6 - *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and ending cash and investments are reported as restricted or committed 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 the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

- 001 General Fund: Restricted funds in the amount of \$764,013.48 that includes: \$8,009.50 which represents plan review deposits posted building permits, \$631,843.33 which represents funds received from voter approved utility and sales taxes, grant funding and State Shared Revenues to be used for policing, and \$124,160.65 which represents receipts from 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.
- 101 Street Fund: Restricted funds in the amount of \$20,259 collected from Motor Vehicle Fuel Tax (State Shared Revenue) for funding the maintenance and operations of the streets within the city limits of Toppenish; and Assigned funds in the amount of \$12,756.
- 103 Vehicle License Fee Fund: Restricted funds in the amount of \$159,593.29 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: Restricted funds in the amount of \$7,295 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.
- 108 Cemetery Fund: Assigned funds in the amount of \$55,492 which represents the funds operating revenues.
- 119 Public Safety Fund: Restricted funds in the amount of \$562,499.10 which represents two and one-half of four annual installments of a grant to the City for the purchase of a ladder truck that will be used for the Yakama Nation Legends Casino hotel.
- 129 Special Investigative Drug Account (SIDA) Fund: Restricted funds in the amount of \$21,174.03 which represents funds received from the Investigated Fund Assessment paid by persons convicted of criminal misdemeanors per Ord. 2000-6.
- 157 Mid-Valley Television Fund: Restricted funds in the amount of \$383,585.15 which represents franchise fees and utility tax revenues received for the support of the cities of Toppenish, Granger, and Wapato public access channels.
- 170 Housing Rehabilitation Fund: Restricted funds in the amount of \$424,769 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.
- 225 Community Economic Revitalization Board Grant/Loan Fund (CERB): Assigned funds in the amount of \$5,537 which represents the remaining investment income earned on the expended CERB funds.
- 301 Municipal Capital Improvement Fund: Restricted funds in the amount of \$763,728.04 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.
- 401 Water Fund: Restricted funds in the amount of \$1,400.00 which represents the amount being held for a hydrant meter deposit; and assigned funds in the amount of \$1,655,358.00 which represents the funds operating revenues.

- 403 Sewer Capital Fund: Restricted funds in the amount of \$1,175,472.49 that includes: \$192,482.66 which represents State Department of Ecology grant funding for the city's wastewater system improvement project, and the remaining \$982,989.83 of the city's \$1,400,000.00 USDA required portion of funding for the city's wastewater system improvement USDA-RD loan; and assigned funds in the amount of \$1,0488,881 which represents the funds operating revenues.
- 405 Solid Waste Fund: Assigned funds in the amount of \$172,307 which represents the funds operating revenues.
- 631 Custodial Deposits Fund: Restricted funds in the amount of \$23.19 which represent court funds that will be remitted to the State office of the Court in 2021.
- 701 Perpetual Care Fund: Un-spendable funds in the amount of \$305,630.78 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; and restricted funds in the amount of \$17,284.03 which represents interest earned on invested un-spendable income.

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	Actual Expenditures	Variance
001	General Fund	\$7,848,031.00	\$4,526,406.26	\$3,321,624.74
002	General Fund Capital Reserve Fund	\$766,983.40	\$0.00	\$766,983.40
003	Welcome Center Fund	\$24,375.66	\$1,181.80	\$23,193.86
004	Railroad Depot Facility Fund	\$118,589.00	\$17,872.08	\$100,716.92
006	Public Works Building Fund	\$4,376,718.73	\$260,745.63	\$4,115,973.10
007	Library Fund	\$5,775.00	\$4,641.82	\$1,133.18
021	Urban Dev Action Grant Fund	\$31,926.03		\$31,926.03
030	Criminal Justice Fund	\$1,166,416.00	\$695,533.47	\$470,882.53
050	Special Projects Fund	\$142,705.49	\$33,638.95	\$109,066.54
071	Recreation Fund	\$136,165.00	\$70,104.99	\$66,060.01
		\$14,617,685.31	\$5,610,125.00	\$9,007,560.31
101	Street Fund	\$445,284.29	\$333,519.05	\$111,765.24
103	Vehicle License Fee Fund	\$224,640.00	\$76,510.72	\$148,129.28
106	Tourism Development Fund	\$48,680.70	\$40,190.69	\$8,490.01
108	Cemetery Fund	\$151,678.12	\$122,141.66	\$29,536.46
119	Public Safety Grants Fund	\$596,815.00	\$34,315.00	\$562,500.00
129	Special Inv Drug Account Fund	\$32,940.82	\$9,053.30	\$23,887.52
170	Housing Rehabilitation Fund	\$523,677.00	\$94,284.58	\$429,392.42
225	Community Economic Dev Loan Fund	\$5,537.01		\$5,537.01
301	Municipal Capital Improvement Fund	\$747,410.24		\$747,410.24
302	Street Capital Fund	\$2,532,206.00	\$1,774,470.34	\$757,735.66
401	Water Fund	\$4,065,753.23	\$2,452,239.55	\$1,613,513.68
403	Wastewater Fund	\$4,591,083.15	\$3,492,160.28	\$1,098,922.87
405	Solid Waste Fund	\$1,247,540.00	\$1,120,479.80	\$127,060.20
410	Water Capital Fund	\$264,063.00	\$61,212.15	\$202,850.85
413	Wastewater Capital Fund	\$6,851,222.00	\$6,783,089.70	\$68,132.30
421	PWTrust Fund/DWSRF Loans Fund	\$444,545.00	\$418,272.95	\$26,272.05
427	DOE Cent Sewer Loan Reserve Fund	\$192,482.66		\$192,482.66
457	Cable TV Fund	\$423,289.00	\$191,313.20	\$231,975.80
458	Cable TV Equipment Reserve Fund	\$255,997.00	\$91,310.28	\$164,686.72
510	Vehicle Replacement Fund	\$1,489,127.00	\$71,072.68	\$1,418,054.32
611	Pension Trust Fund	\$27,200.00	\$22,591.68	\$4,608.32
631	Custodial Fund	\$9,600.00	\$83,666.94	(\$74,066.94)
701	Perpetual Care Fund	\$313,618.46		\$313,618.46
	Grand Totals	\$40,102,074.99	\$22,882,019.55	\$17,220,055.44

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 – Component Unit(s), Joint Ventures, and Related Parties

The Cities of Toppenish, Wapato, 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 4 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

Based on the city's primary revenue source being the imposed utility tax on the city's own utilities, and the large percentage of the city's population being essential workers, the city did not experience the same level of revenue loss experienced by cities that are reliant on sales tax.

The city received CARES Coronavirus Relief Fund Grant funds in the amount of \$383,707.84. The grant funding is shown on Schedule 16 identified as CFDA 21.019 and was expended on the following:

- \$98,851.12 for the reimbursement of personal protection clothing, equipment and sanitizing supplies, workplace barriers, Zoom subscription, streaming, audio, and equipment upgrades, on-line utility payment fees, and COVID related payroll expenses.
- \$270,000 for the reimbursement of funds used for the contract the City entered into with the Yakima Community Development Association to distribute funds to City of Toppenish business who were impacted by the COVID-19 Pandemic.

- \$14,856.72 for the reimbursement of the City's Utility Grant Program. Through grant application, city awarded funds to utility customers who were unable to pay their city utility bill because of the COVID-19 Pandemic. The grant funds awarded, were applied directly to the utility customer's utility account.

The City received FEMA Grant funds in the amount of \$144,425.97. The grant funding is shown on Schedule 16 identified as CFDA 97.044 and was expended as follows:

- Fiscal Year 2018 Assistance to Firefighters Grant in the amount of \$141,878.09 for the purchase of self-contained breathing apparatus units used by the firefighters for protection when entering buildings where positive COVID people required assistance.
- Fiscal Year 2020 Assistance to Firefighters Grant in the amount of \$2,675.27 for the purchase of personal protection equipment.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the city is unknown at this time.

Note 5 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type on December 31, 2020, are as follows:

Type of deposit or Investment	City's own deposits and investments	Total
Bank deposits	\$10,801,917.90	\$10,801,917.90
Local Government Investment Pool	3,798,819.05	3,798,819.05
U.S. Bank Safekeeping	1,501,342.87	1,501,342.87
Smith Barney/Morgan Stanley	<u>156,980.48</u>	<u>156,980.48</u>
Total Investments	\$16,259,060.30	\$16,259,060.30

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 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 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities (9) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2020. Adjustments were made to the ID No. 264.30: Other Post-Employment Benefits (OPEB) and ID No. 264.30: Pension Liability Pre-LEOFF Firefighters. See Note 7 and Note 12(D)(4).

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

Year	Principal	Interest	Total
2021	\$1,330,310.10	\$83,832.71	\$1,414,142.81
2022	1,100,345.74	75,335.56	1,175,681.30
2023	1,088,771.10	122,177.33	1,210,948.43
2024	1,202,465.40	114,624.47	1,317,089.87
2025	1,198,469.87	106,321.83	1,304,791.70
2026-2030	5,565,050.08	412,761.98	5,977,812.06
2031-2035	2,715,034.20	226,838.58	2,941,872.78
Total	14,200,446.49	1,141,892.46	15,342,338.95

Unused Lines of Credit

At fiscal year end, the city had \$4,263,000 available in unused lines of credit.

Note 7 – 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, 2020, the plan had seven retired members. The city has an Actuarial Valuation Report is prepared annually. The OPEB liability as of December 31, 2020, is \$1,685,566. In 2020, the city paid \$73,550 in retiree benefits. See Note 12(D)(4) for explanation of additions and reductions on Schedule 9.

Note 8 – 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.

On June 30, 2020, (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	92,300	0.012735	449,614
PERS 2/3	127,667	0.013858	177,236
LEOFF 1		0.012765	(241,068)
LEOFF 2	70,722	0.036153	(737,468)
VFFRPF	120	0.06	(21,770)

*PERS 1 includes UAAL

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, 2020, membership consisted of one retired firefighter and two widows who are eligible for benefits from both the Firefighter's Relief and Pension Plan and LEOFF 1. An additional widow received pension only up until October 2020 when she passed away.

The net Pension Liability as of December 31, 2020, is \$0.00 as reported on the Schedule 9 (Liabilities). This is the result of monthly amount the retirees (one retired firefighter and two widows) receive from their respective LEOFF I retirement exceeding the amount the retiree would have received from the Firefighter's Relief and Pension Plan. If the amount of the Firefighter's Pension were to exceed the amount of the LEOFF I retirement, the city would pay the difference.

<i>Example:</i>			
Pension Paid from:	Monthly Retirement	Pension Paid from:	Monthly Retirement
Firefighter's Relief and Pension Plan	\$1,000.00	Firefighter's Relief and Pension Plan	\$1,200.00
DRS LEOFF I	\$1,200.00	DRS LEOFF I	\$1,000.00
Difference = No Pension Due to Retiree	-\$200.00	Difference = Pension Due to Retiree	\$200.00

In 2020, the city paid pensions totaling \$22,591.68. See Note 12.D.4 for explanation of additions and reductions on Schedule 9.

Note 9 - 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 2020 was \$2.7171688 per \$1,000 on an assessed valuation of \$325,014,122 for a total regular levy of \$883,198.86.

Note 10 – 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 162 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors, or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 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 \$400 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 11 – 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, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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 2020, 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 12 – Other Disclosures

A. Construction Commitment

The city has active construction projects as of December 31, 2020. The projects include:

Project	Spent to Date	Remaining Commitment
Jackson Street Extension: Design Funding: STPUS-6423(001)	\$73,272.48	\$101,125.52
West First Avenue Sidewalk Improvements: Design West First Avenue Sidewalk Improvements: Construction Funding: TAP-6404(0030)	\$25,592.18 \$0.00	\$957.82 \$154,725

Safe Routes to School: Design	\$60,150.00	\$0.00
Safe Routes to School: Construction	\$0.00	\$468,150
Funding: State TIB		
City-Wide Sewer Improvements: Construction		
Funding:		
• Department of Ecology Centennial Grant	\$2,298,790.91	\$437.09
• State Revolving Fund Loan	\$3,742,383.76	\$18,138.24
• Forgivable-Principal State Revolving Fund Loan	\$310,750.00	\$0.00
• USDA Loan	\$0.00	\$4,263,000
• USDA Grant	\$0.00	\$8,338,500.00
Lincoln, Dayton & Beech Street: Construction	\$208,551.48	\$0.52
Funding: STPUS-6417(001)		

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 2021, with completion anticipated in July 2021. The City received approval from the Washington State Department of Transportation for a Tied Bid PIF (bid together) the West First Avenue Sidewalk Improvements and the Safe Routes to School Sidewalk project. Expenditures for this project are shown on Schedule 16, identified as TAP-6404(003).
3. Safe Routes to School: On June 28, 2019, the city received an award notice for the Safe Routes to School program to complete sidewalk improvements Construction is anticipated to begin June 2021, with completion anticipated in July 2021.

The City received approval from the Washington State Department of Transportation for a Tied Bid PIF (bid together) the Safe Routes to School Sidewalk project and the West First Avenue Sidewalk Improvements project. Expenditures for this project are shown on the Schedule 15, identified as State Grant from Department of Transportation Board (TIB).

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 (II, III, & IV). Phase IV began work January 2020 and is nearly complete, with project completion anticipated in August 2021. Phase III Design is complete. The project will advertise for bids August 2021. Phase II Design has begun and is it anticipated to be complete January 2022.

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. The city has expended all of the Ecology Grant/Loan funds and will complete project utilizing the City's \$1.4M contribution and the Rural Development funding package. 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).

Completed Construction Projects:

1. Lincoln Avenue, Dayton Avenue and Beech Street: In April 2014, the Federal Highway Administration (FHWA) awarded the city, 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 Ave from Elm Street to Beech Street and Beech Street from Dayton Ave to 'D' Street and installation of illumination and sidewalk improvements on Lincoln Ave from 'F' St. to 'L' St. The city awarded the contract to Tapani, Inc. (low bid of \$1,389,964.40) on January 14, 2019. Construction began on March 23, 2020. Substantial completion issued on August 11, 2020. As of April 30, 2021, the Dept. of Revenue is waiting for paperwork from the contractor. Expenditures for this project are shown on Schedule 16, identified as STPUS 6414(001).

B. Uncollectable Receivables

On March 9, 2020, the City Council approved a resolution authorizing that \$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, to be written off.

C. 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. On June 29, 2020, the Ninth Circuit Court of Appeals affirmed the dismissal of the Yakama Nation's case, and the United States Supreme Court denied the petition for review bring the case to a conclusion.
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 in the discovery stage and a February 7, 2022, trial date has been set. 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. Although the City intends to defend the claim vigorously, the parties are currently discussing mediation as an alternative means of resolution.

3. 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.
4. On March 23, 2020, a lawsuit arising under Washington's Public Records Act was filed. The claim was not covered by the City's liability risk pool, WCIA. 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 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. The city made an offer of judgment to the plaintiff, which was accepted. A stipulation and order of dismissal was filed on August 18, 2020

D. Other items of interest

1. The State Auditor's Office delayed the implementation of GASB Statement 84, to 2021 due to the COVID-19 Pandemic. As a result of the delay, the City did not move the fiduciary activity from the General (001) Fund to the Fiduciary (631) Fund until 2020, resulting in 631 Fund exceeding the City Council's final appropriation. However, the funds were appropriated by the City Council to be expensed from the General (001) Fund. The error resulted in no change to the City Council's final 2020 appropriation.
2. The anticipated grant reimbursement for the Lincoln/Dayton was not received until after January 2021, resulting in the fund having a negative cash balance of (\$72,845.50). The fund did not exceed the City Council's final appropriation.
3. Based on the BARS Manual definition of an enterprise fund (4XX), it was determined that the Mid-Valley Television Fund 457, was required to be changed to a Special Revenue Fund. As such, the BARS number has been changed to 157.
4. Modification to OPEB and Pension Plans shown on Schedule 9: The city did not have an actuarial report prepared for the 2019 OPEB and Pension Plans. The correct beginning balances were shown for 2019, however no additions or reductions were included, resulting in the incorrect 2019 ending balances. The city prepared an updated actuarial and prepared the below table to compute the combined amounts for 2019 and 2020's additions and reductions, resulting in the ending balances that foot with the actuarial report.

The net amounts presented in the 2020 Schedule 9 additions and reductions are shown below:

ID. No.	Year	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
264.30	2019	Pension Liability Pre LEOFF Firefighters	12/31/2019	145,764	16,838	26,718	135,884
264.30	2020	Pension Liability Pre LEOFF Firefighters	12/31/2020	<u>135,884</u>	<u>-113,292</u>	<u>22,592</u>	<u>0</u>
Total Combined Liabilities presented on the 2020 Schedule 9					-96,454	49,310	
264.40	2019	Other Post Employment Benefits	12/31/2019	1,291,810	193,064	59,619	1,425,255
264.40	2020	Other Post Employment Benefits	12/31/2020	<u>1,425,255</u>	<u>333,861</u>	<u>73,550</u>	<u>1,685,566</u>
Total Combined Liabilities presented on the 2020 Schedule 9					526,925	133,169	

**City of Toppenish
Schedule of Liabilities
For the Year Ended December 31, 2020**

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	24,255	-	24,255	-
Total General Obligation Debt/Liabilities:			24,255	-	24,255	-
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF #4-PW-01-691-062 - Grav Pipe Replacement	7/1/2021	128,137	-	64,068	64,069
263.88	PWTF #5-PW-02-691-058- Grav Pipe Replacement- II	6/1/2022	211,565	-	70,521	141,044
263.88	PWTF #7-PW-05-694-PRE-138- WWTp Upgrade	7/1/2025	246,278	-	41,047	205,231
263.88	DOE/Cent # L200018-Sewer System Improve	12/15/2021	377,854	-	187,515	190,339
263.88	DOE/SRF: WWTP Upgrade # L0800015	10/30/2030	4,916,398	-	446,945	4,469,453
263.88	DOE/Sewer Plan & Camera/Van #EL150107	8/1/2037	72,202	-	3,272	68,930
263.88	DOE/Penny Lane LS & Sewers #EL170039	6/30/2037	785,605	-	-	785,605
263.88	DOE/CWSRF #EL190340 Citywide Sewer Rehab	7/1/2042	31,813	3,710,570	-	3,742,383
263.88	DWSRF #03-65103-051-Telemetry System Imp	10/1/2024	35,498	-	7,100	28,398
263.88	DWSRF #DM07-952-031-Well No. 9	10/1/2028	1,216,229	-	135,136	1,081,093
263.88	DWSRF #DM-952-104-2013 Water System Impr	10/1/2033	831,774	-	59,413	772,361
263.88	DWSRF #DM12-952-105-1.7 MG Reservoir	10/1/2034	2,638,598	-	175,907	2,462,691
263.88	DWSRF #DM13-952-151-2014 Water System Impr	10/1/2036	743,620	-	43,742	699,878
263.88	DWSRF #DWL23489-Well No. 5	10/1/2049	1,483,883	65,997	81,573	1,468,307
264.30	Pension Liability	12/31/2020	650,791	-	23,941	626,850
259.12	Compensated Absenses	12/31/2020	390,405	43,434	102,415	331,424
264.30	Pension Liability Pre LEOFF Firefighters	12/31/2020	145,764	(96,454)	49,310	-
264.40	Other Post Employment Benefits	12/31/2020	1,291,810	526,925	133,169	1,685,566
Total Revenue and Other (non G.O.) Debt/Liabilities:			16,198,224	4,250,472	1,625,074	18,823,622
Total Liabilities:			16,222,479	4,250,472	1,649,329	18,823,622

City of Toppenish
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	2019- BUXB17087032	-	2,385	-	1,2,4
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205	TAP-6404(003)	-	8,279	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington, Department of Transportation)	Highway Planning and Construction	20.205	STPUS 6471 (001)	1,479,920	-	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington, Department of Transportation)	Highway Planning and Construction	20.205	STPUS 3423 (009)	9,065	-	-	1,2,4
Total Highway Planning and Construction Cluster:				1,488,985	8,279	1,497,264	-
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce)	Coronavirus Relief Fund	21.019	20-6541C-347	383,708	-	270,000	1,2,3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2020-FG- 02974	-	2,548	-	-

The accompanying notes are an integral part of this schedule.

City of Toppenish

Expenditures

City of Toppenish
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

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 – Federal De Minimis Indirect Cost Rate

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

Note 3 – 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.

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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